

Audit Committee

Date: Wednesday, 5th February, 2025

Time: 4.00pm

Venue: Brunswick Room - Guildhall, Bath

Councillors: David Biddleston (Chair), Sam Ross (Vice-Chair), George Leach, Malcolm Treby and Toby Simon

Independent Member: John Barker

Chief Executive and other appropriate officers



Mark Durnford

Democratic Services

Lewis House, Manvers Street, Bath, BA1 1JG

Telephone: 01225 394410

Web-site - <http://www.bathnes.gov.uk>

E-mail: Democratic_Services@bathnes.gov.uk

NOTES:

1. **Inspection of Papers:** Papers are available for inspection as follows:

Council's website: <https://democracy.bathnes.gov.uk/ieDocHome.aspx?bcr=1>

2. **Details of decisions taken at this meeting** can be found in the minutes which will be circulated with the agenda for the next meeting. In the meantime, details can be obtained by contacting as above.

3. **Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control.

Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators.

To comply with the Data Protection Act 1998, we require the consent of parents or guardians before filming children or young people. For more information, please speak to the camera operator.

The Council will broadcast the images and sound live via the internet www.bathnes.gov.uk/webcast An archived recording of the proceedings will also be available for viewing after the meeting. The Council may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

4. **Public Speaking at Meetings**

The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group. They may also ask a question to which a written answer will be given. **Advance notice is required not less than two full working days before the meeting. This means that for meetings held on Thursdays notice must be received in Democratic Services by 5.00pm the previous Monday.** Further details of the scheme:

<https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=12942>

5. **Emergency Evacuation Procedure**

When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are signposted. Arrangements are in place for the safe evacuation of disabled people.

6. **Supplementary information for meetings**

Additional information and Protocols and procedures relating to meetings

<https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=13505>

Audit Committee - Wednesday, 5th February, 2025

at 4.00pm in the Brunswick Room - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

The Chair will draw attention to the emergency evacuation procedure as set out under Note 5.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

3. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to indicate:

- (a) The agenda item number in which they have an interest to declare.
- (b) The nature of their interest.
- (c) Whether their interest is **a disclosable pecuniary interest** or an **other interest**,
(as defined in Part 4.4 Appendix B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair will announce any items of urgent business.

5. ITEMS FROM THE PUBLIC - TO RECEIVE STATEMENTS, PETITIONS OR QUESTIONS

Clare Minchington has registered to make a statement on the Liveable Neighbourhoods Programme.

6. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

To deal with any petitions, statements or questions from Councillors and, where appropriate, co-opted and added Members.

7. MINUTES: 27TH NOVEMBER 2024 (Pages 7 - 10)

8. SEND COLLABORATION FOR BANES (SAFETY VALVE) - RISK MANAGEMENT UPDATE (Pages 11 - 18)

This report gives an update on the Council's plans to manage the Dedicated Schools Grant (DSG) deficit position and progress being made in relation to the Safety Valve.

This report also forms part of a series of risk management update reports to the Audit Committee to give it assurance on the system of risk management. This specific risk area sits on the Council's Corporate Risk Register and was highlighted as a significant issue on the Council's Annual Governance Statement and as significant on the External Auditor's VFM report in 2024.

9. EXTERNAL AUDIT - UPDATE (Pages 19 - 50)

The External Auditor will update the Committee on their work in relation to their Audit Plan.

10. TREASURY MANAGEMENT STRATEGY STATEMENT 2025/26 (Pages 51 - 82)

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

11. INTERNAL AUDIT PLAN 2024/25 UPDATE AND CONSULTATION ON THE DEVELOPMENT OF THE INTERNAL AUDIT PLAN 2025/2026 (Pages 83 - 92)

This report:

1) provides an update on progress in completing the Internal Audit Plan 2024/25 audit reviews (following the Update Report presented to Committee on 25th September 2024).

2) informs the Audit Committee on the methodology to be used to compile and maintain the Internal Audit Plan 2025/26.

3) asks for Committee Member input on Council activities, areas or themes they would like to be considered for inclusion in the Internal Audit Plan 2025/26.

12. ANNUAL GOVERNANCE STATEMENT 2024/2025 (Pages 93 - 112)

The aim of the report is to inform the Committee on the Annual Governance Review process, update on significant issues from last year and enable the Committee to fulfil its responsibilities associated with the publication of the Council's Annual Governance Statement 2024/25.

13. AUDIT COMMITTEE - DRAFT WORKPLAN (Pages 113 - 118)

The draft workplan for the Committee is attached at Appendix 1 for comment.

The Committee Administrator for this meeting is Mark Durnford who can be contacted on 01225 394458.

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Wednesday, 27th November, 2024, 4.00 pm

Councillors: David Biddleston (Chair), George Leach, Malcolm Treby, Sam Ross (Vice-Chair) and Toby Simon

Independent Member: John Barker

Officers in attendance: Enfys Hughes (Democratic Services Officer), Jeff Wring (Director of Pensions, Assurance and Financial Services), Andy Rothery (Chief Finance Officer (S151)), Gary Adams (Head of Financial Management), Andy Cox (Head of Audit and Assurance (One West)) and Claire Read (Group Accountant – Financial Accounting & Treasury)

Guests in attendance: Beth Bowers (Grant Thornton (External Auditors)) and David A Johnson (Grant Thornton (External Auditors))

29 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer drew attention to the emergency evacuation procedure as set out on the agenda.

30 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

31 DECLARATIONS OF INTEREST

There were none.

32 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

33 ITEMS FROM THE PUBLIC - TO RECEIVE STATEMENTS, PETITIONS OR QUESTIONS

There were none.

34 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

35 MINUTES - 25TH SEPTEMBER 2024

RESOLVED that the minutes of the meeting held on 1st May 2024 be confirmed as a correct record and signed by the Chair.

36 COUNCIL COMPANY AEQUUS (ADL, ACL & AGHL) ANNUAL ACCOUNTS 2023/24

Karen Flint (Aequus Financial Controller) presented the report. She explained that that the accounts had been submitted to the management board in September and signed off. There had been no significant issues or adjustments. She went on to highlight the main figures for ADL, ACL and AGHL.

During questions the following issues were clarified/raised:

- It was pleasing to see the Council Company Aequus doing so well (Councillor David Biddleston)
- With regard to the Local Government pension scheme, it was confirmed that only staff who transferred under TUPE were a member (Councillor Toby Simon)
- Having met with other local authorities and hearing about their house building developments, some other local authorities were not progressing so well (Councillor David Biddleston). It was confirmed that BANES had well developed relationships with South Glos and North Somerset.
- It was hoped there would be a tour of the local developments in May 2025.

It was moved by Councillor Malcolm Treby, seconded by Councillor Sam Ross and

RESOLVED in line with the Committees Terms of Reference the Corporate Audit Committee notes on behalf of the Council the audited accounts of ADL, ACL & AGHL (Council wholly owned companies).

37 TREASURY MANAGEMENT PERFORMANCE REPORT TO 30TH SEPTEMBER 2024

The Head of Financial Management presented the report and highlighted the main issues.

During questions the following points were clarified/raised:

- This was a backward look at borrowing and PWLB had been the lending source. There was a new lender, the National Wealth Fund and it was confirmed that BANES would consider using this lender if they had schemes that met their criteria (John Barker – independent member)
- The rate for the new lender was slightly below that of PWLB
- It was noted on borrowing that some loans were maturing in the next 6 months (Councillor Malcolm Treby). It was confirmed that options for refinancing would be considered, taking a view on the relative short-term and long-term rates together with interest rate forecasts.
- In respect of borrowing (Councillor Malcolm Treby) it was confirmed that there was a need to borrow more again at the end of the year
- Regarding the current unrealised loss on the Strategic Investments and risk of the statutory override being removed (Councillor Toby Simon). It was confirmed that the government would consider this soon, and the Council had sufficient provision with the Capital Financing earmarked reserve to cover any impact if the statutory override was removed.

It was moved by Councillor Toby Simon and seconded by Councillor Sam Ross and it was

RESOLVED

- 1) To note the Treasury Management Report to 30th September 2024, prepared in accordance with the CIPFA Treasury Code of Practice;
- 2) and to note the Treasury Management Indicators to 30th September 2024.

38 ACCOUNTS BRIEFING PRESENTATION - NO REPORT THIS IS A PRESENTATION TO THE COMMITTEE

The Group Accountant – Financial accounting & corporate finance (Claire Read) gave a presentation on the accounts.

RESOLVED to note the presentation.

39 AUDIT FINDINGS REPORTS FOR COUNCIL AND AUDITED STATEMENT OF ACCOUNTS FOR COUNCIL AND AVON PENSION FUND 2023/24

Beth Bowers and David Johnson (Grant Thornton External Auditors) presented the report. The Chair had met with them recently, along with the Vice Chair and thanked them for a useful meeting. It was explained that there was the audit for the Council and for the Avon Pension Fund, along with the audit opinion and annual report. The high level summary was an unqualified opinion. It was not possible to give certification as there had been an objection, although this would not have any material impact on the accounts. The National Audit Office would hold certification pending their completion of work on the Whole of Government Accounts. The Value for Money in the audit findings had been reported to the September Committee meeting. There was no change to materiality thresholds or any deviation from the planned risk profile. There were a small number of recommendations and adjustments.

Grant Thornton thanked the BANES officers and her team for their work in concluding the audit process.

During questions the following points were clarified/raised:

- In the national context with borrowing there was currently no significant concern as regards BANES standing (Councillor Malcolm Treby)
- In relation to recommendations on page 36, management stated that BANES relied on managers to check the existence of assets, which were of low value eg laptops (Councillor Malcolm Treby). There would be further conversations with the external Auditor and BANES would take on their guidance (Councillor Malcolm Treby to email Councillor David Biddleston (Chair) who would follow up on this issue)
- Risk was differentiated by high/medium/low (Councillor David Biddleston)
- How the Council disposes of low-level assets (John Barker) was confirmed by the Section 151 Officer who stated there were legal requirements on disposals. It was rated as low risk in the previous years external audit report

- BANES contribution to the stability of WECA governance (Councillor David Biddleston) was in the annual report and was a key partnership working to deliver best possible value.

It was moved by Councillor Toby Simon and seconded by Councillor Malcolm Treby and

RESOLVED

- 1) To note the issues contained within the Audit Findings Reports and addendum to the Auditor's Annual Report for the Council; and
- 2) To approve the audited Statement of Accounts, including the Letters of Representation for both Bath & North East Somerset Council and the Avon Pension Fund (including revised opinion) for 2023/24.

40 AUDIT COMMITTEE - DRAFT WORKPLAN

The Director of Pensions, Assurance and Financial Services presented the workplan. He stated that the revised terms of reference had been approved at Council in November 2024.

He wished to thank the Section 151 Officer Andy Rothery, as this was his last meeting before moving to a new job. He and the Committee passed on their appreciation of his participation at Committee.

RESOLVED to note the Committee workplan.

The meeting ended at 5.36 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	5 th February 2025	AGENDA ITEM NUMBER
TITLE:	SEND Collaboration for BaNES (Safety Valve) – Risk Management Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix A – Key Risks		

1 THE ISSUE

- 1.1 This report gives an update on the Council's plans to manage the Dedicated Schools Grant (DSG) deficit position and progress being made in relation to the Safety Valve.
- 1.2 This report also forms part of a series of risk management update reports to the Audit Committee to give it assurance on the system of risk management. This specific risk area sits on the Council's Corporate Risk Register and was highlighted as a significant issue on the Council's Annual Governance Statement and as significant on the External Auditor's VFM report in 2024.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee is asked to –

Note the report.

3 THE REPORT

- 3.1 The Dedicated Schools Grant (DSG) is a ring-fenced budget distributed across four blocks: schools, early years, high needs, and central school services. Since 2019/20, the Council has exceeded the allocated funding, resulting in a deficit primarily within the high needs block, which supports services for individuals with special educational needs and disabilities (SEND).
- 3.2 To address this, the Department for Education (DfE) has introduced two programs: the Safety Valve (SV) and Delivering Better Value. These programs collaborate with local authorities to create recovery plans for financial sustainability. The SV program, specifically, provides financial support from the DfE.

- 3.3 In 2022/23, the Council successfully joined the SV program, with an agreed recovery plan and ministerial approval. B&NES secured £19.22m, receiving £7.68m in March 2023.
- 3.4 However, due to slippage, [the agreement with the DfE is under review](#), and grant payments have been suspended pending a revised agreement. In the 2023-24 financial year, the total paid under the agreement was £0.55m.
- 3.5 The Council was put into an Enhanced Monitoring pool, which meant it has received additional support from 3 x DfE appointed advisers. The Service also appointed ISOS Partners to review the original submitted plans, and requested and was granted dedicated support from the Council's Business Change Hub. External expertise was also granted to refine the financial modelling required.
- 3.6 With support from the four partners identified at 3.5 above, the Service redeveloped and refined its submission into three business cases, together with a dedicated financial modelling template, an overarching document and presentation describing the proposals for the programme.
- 3.7 The programme is now called the SEND Collaboration for BaNES.
- 3.8 Updated plans for the SEND Collaboration for BaNES were submitted to DfE on time on 24th May 2024. Detailed feedback was received from DfE advisers on 27th June 2024.
- 3.9 This feedback included the position statement at the time from the DfE in relation to the cumulative deficit at the end of the programme. This statement was that *"BANES does not set out proposals for clearing the cumulative deficit"* which at the time of the May submission was forecast to be £74,072,521 by 2030-31.
- 3.10 Following a review of the feedback, a date was agreed with DfE to re-submit the plans, taking into account the comments from the advisers. This was agreed as 1st October and the plans were submitted again on the 30th September 2024.
- 3.11 No further feedback on the plans has been provided by DfE and the Council is still awaiting a formal DfE response.
- 3.12 Internal audit reviewed the governance and programme management framework for the SEND Collaboration in Q2 and 3 2024, and the report in September 2024 judged there to be substantial assurance.
- 3.13 Over the past 5 years the growth in EHCPs and requests for EHCPs has grown significantly. The numbers of EHCP requests have increased by 125% over the 5-year period whilst the numbers of EHCPs granted has increased by 75%.
- 3.14 The spend on the High Needs Block (HNB) has increased over the same period £27m to £49m (81%) with an increase in funding allocated by the DfE from £24m to £37m (54%).
- 3.15 The SEND Collaboration for BaNES programme has robust governance in place:
- The Executive Group meets fortnightly to review progress, and reports regularly to ELT and to Business Change Steering Group.

- Programme Management support is provided by Business Change Hub.
 - A fortnightly briefing is held with the lead member for Children's Services and the Executive Group is responsible for agreeing the updates to the Lead Member, the Children, Adults, Health and Wellbeing Policy Development and Scrutiny Panel, Informal Cabinet and Cabinet,
 - The Executive Group also provides updates to the Local Area Inclusion Partnership (LAIP), Schools Forum and Schools Standards Board as required by those groups.
- 3.16 The programme has been organised into three main workstreams, delivering the seven actions identified in the submission. The Programme Manager has met with the leads of the workstreams to review the submitted plans and actions outstanding, and agree actions for the year ahead. It is recommended that this is repeated annually to ensure clarity of actions for the coming year, taking into account the activities and learning from the previous year.
- 3.17 A PowerBI dashboard has been developed, which complements the operational dashboards for the SEND team, which monitors progress against the targets set in the submitted plans.
- 3.18 A spreadsheet has been developed and is being maintained by Finance colleagues which models the impacts on placements and finances of our plans.
- 3.19 There are several areas which are outside of the control of the Local Authority. These are:
- Authorisation from Department for Education (DfE) of the re-submitted plans
 - Authorisation from DfE of the development of the Sulis AP and Green Ways SEN Academies
- 3.20 Discussions are ongoing with the DfE to ascertain:
- Whether / when the plans may be signed by DfE and remaining tranches of funding received.
 - When a clear decision will be made for the development of the Sulis AP and Green Ways SEN Academies
- 3.21 So far no clear decision on either of these has been received from DfE.
- 3.22 The programme continues to work to deliver the actions identified in the plans that are within the control of the Local Authority.

4 STATUTORY CONSIDERATIONS

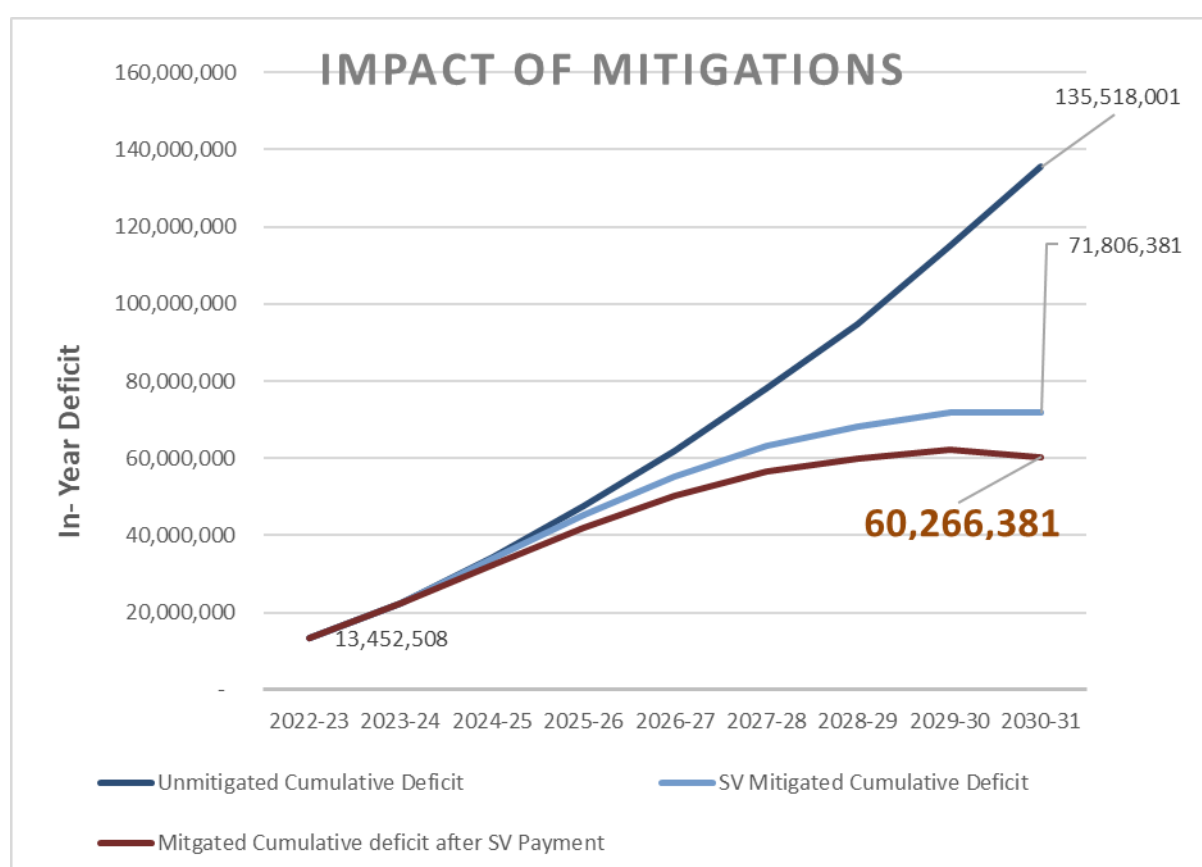
- 4.1 There are no specific statutory considerations related to this report, other than the statement at 3.9 above which references the cumulative deficit forecast to remain on the DSG at the end of the programme. This currently is subject to a statutory override, which is at the discretion of the Minister. There has been no clear statement from DfE about their position in relation to this override.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 This is an information report so there are no direct implications arising from this report. However, there are significant financial risks associated with this issue and these are set out in the report.

5.2 The forecast financial analysis indicated that if the current trajectory continued, the Council would be holding a cumulative deficit of £135,518,001 against the DSG by 2030-31.

5.3 Assuming the SEND Collaboration for BaNES is successful, and assuming that the capital projects are able to deliver to time, the cumulative deficit is forecast to be £60,266,381 (see graph below).



5.4 The SEND Collaboration plans are intended to bring the High Needs Block of the DSG back into balance year on year by 2030-31, and will see 230 new EHCPs come on stream by that year. The number of new EHCPs is forecast to peak in 2025-26, and reduce year-on-year after that.

5.5 The total number of EHCPs supported by the service is forecast to be 2,991 by 2030. This number of EHCPs will need to be properly supported by the statutory service.

6 RISK MANAGEMENT

- 6.1 The risks relevant to the Council are set out in the report, in the main they are financial.
- 6.2 All risks are held on a central log, regularly reviewed by the SRO and programme manager.
- 6.3 The key risks are attached at Appendix A.

7. EQUALITIES

- 7.1 The programme is anticipated to have a positive impact on children and young people with disabilities, in particular those with autism and social and emotional mental health needs. An equalities impact assessment has been completed and is available here: <https://beta.bathnes.gov.uk/sites/default/files/EQIA-SEND-Safety-Valve.pdf>

8. CLIMATE CHANGE

- 8.1 The proposals will support the climate emergency declaration by reducing the numbers of children placed in out of area education settings, thereby reducing the commuting time to those settings on home to school transport.

9. OTHER OPTIONS CONSIDERED

- 9.1 This is an update report, no decisions or recommendations are being proposed so no other options are being considered.

10 CONSULTATION

- 10.1 Consultation has been carried out with the Section 151 Finance Officer and Director of Financial Services, Assurance and Pensions.
- 10.2 Engagement has been ongoing with the Parent Carer Forum via individual meetings and attendance at wider meetings. The Local Area Inclusion Partnership (LAIP) has been involved in the plans and is a key part of the SEND Collaboration for BaNES governance.

Contact person	Chris Wilford – Director of Education & Safeguarding Mary Kearney-Knowles – Director of Children’s Services Mandy Bishop – Executive Director - Operations
-----------------------	--

Background papers	
Please contact the report author if you need to access this report in an alternative format	

Appendix A: Key risks

The key risks and proposed mitigations against the programme are as follows (a detailed risk log is being maintained by the programme)¹:

Risk	Related Workstreams	Score - unmitigated	Score - mitigated	Mitigations	Actions	Owner
There is a risk that the DfE will not sign off our updated plans	Capital and sufficiency planning. System of SEND Support. SEND Statutory System.	12	6	Close working with DfE advisers has resulted in substantially revised plans.	Programme to continue into delivery to support the actions identified within the business cases.	Chief Executive, Section 151 Officer, Director of Children's Services and Education
Delays to the capital programme Page 15	Capital and sufficiency planning. System of SEND Support. SEND Statutory System.	16	9	We recognise the centrality of delivering on our capital plans, and the potentially significant financial impacts any delays to the programme would have.	We are closely monitoring the delivery of the programme, and in the event of any delays which would have a significant impact on our savings progress, we would quickly mobilise to put in place temporary provisions to mitigate the impacts. We would then closely monitor the situation to ensure we continue to deliver	Director of Education and Safeguarding
Data management is improving, but risks remain around quality and reliability of	Capital and sufficiency planning. System of SEND Support. SEND Statutory	8	3	SEN2 data has been submitted March 2024. There has been a full programme of training delivered to	Plans are in place to develop a children's data model which will encompass the entirety of Children's Services and Education. This will	Director of Education and Safeguarding and Business Intelligence Manager

¹ See Appendix 3 for details on how risks are being calculated across the programme

Risk	Related Workstreams	Score - unmitigated	Score - mitigated	Mitigations	Actions	Owner
SEND data.	System.			staff centred on the importance of data accuracy and quality.	provide a single view of a child. Detailed reports will sit within the data model which will allow for daily, weekly and monthly tracking of the success of the actions in our plans.	
Recruitment and retention, budget and capacity remain a risk within the SEND statutory team.	SEND Statutory System.	16	9	A full review of the SEN staffing requirement has been completed. Market analysis has been completed on management costs.	Interim managers are in post. SEND and AP advice service once operational will support demand management within the statutory team.	Head of SEND
There is a risk that the plans will not deliver the required savings within the timeframe specified by DfE	Capital and sufficiency planning. System of SEND Support. SEND Statutory System.	12	6	Governance arrangements agreed with oversight from ELT and the LAIP.	Data development underway. Appropriate programme management arrangements being developed.	Chief Executive
Contributions to pooled budget arrangements for new cases need to be rebalanced.	SEND Statutory System	8	3	Escalations have been completed with senior ICB and social care colleagues.	Discussions on future pooled budget arrangements are underway.	Chief Executive

Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	5th February 2025	AGENDA ITEM NUMBER
TITLE:	External Audit - Update	EXECUTIVE FORWARD PLAN REFERENCE: E
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – External Update Report		

1 THE ISSUE

- 1.1 The External Auditor will update the Committee on their work in relation to their Audit Plan.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee is asked to –
Note the Audit Update Report.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no new financial implications from this report directly.

4 THE REPORT

- 4.1 The External Auditor will provide a verbal update on progress in relation to their Audit Plan at the Committee meeting.
- 4.2 Appendix 1 outlines the work carried out so far.

5 RISK MANAGEMENT

5.1 A proportionate risk assessment has been carried out in relation to the Councils risk management guidance. There are not any significant risks or issues to report to the Committee as a result of this report.

6. EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines, no significant issues to report.

7 CONSULTATION

7.1 Consultation has been carried out with the Section 151 Finance Officer.

Contact person	Jeff Wring, Director – Financial Services, Assurance & Pensions (01225 477323)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Bath and North East Somerset Council

Audit progress report and sector updates

February 2025



Contents

Section	Page
Audit progress report	03
Introduction	04
Progress at February 2024	05
Audit deliverables	07
Sector updates	09
Audit Committee resources	28

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and, in particular, we cannot be held responsible to you for reporting all the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Audit progress report

Introduction

Your key Grant Thornton team members are:

Beth Bowers

Key Audit Partner

T: 0117 305 7726

E: beth.ac.bowers@uk.gt.com

David Johnson

Audit Manager

T: 0117 305 7727

E: david.a.johnson@uk.gt.com

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit and Standards Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at February 2025

Financial Statements Audit

We will undertake our initial planning for the 2024/25 audit in March 2025, and discuss with management a suitable timetable for the interim audit. We begin our work on your draft financial statements in June.

Our interim fieldwork includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

Since we last reported we have:

- continued to have regular discussions with management discussing issues identified in previous audits, and emerging themes which are expected to impact on the current audit;
- reviewed board papers and the latest financial and operational performance reports ensuring we understand your current challenges;
- met with the Chief Executive and the interim Director of Finance to provide informal feedback on progress of the audit cycle and get a deeper understanding of potential issues and challenges facing the Authority. This has included meetings with management to discuss proposed actions to address audit recommendations;
- Considered any further sector wide reporting requirements or issues that would directly impact the Authority

We will issue a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2024/25 financial statements at the April Audit Committee

Value for Money

Under the 2020 Audit Code of Practice, we are required to undertake sufficient work to satisfy ourselves that the Authority "has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources."

Our initial risk assessment will build on our understanding of your arrangements, taking into account any findings from previous work on value for money. We will report our risk assessment to you at your April 2025 Audit Committee against the following reporting criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

We will keep our risk assessment under continuous review. Where appropriate, we will update our risk assessment to reflect emerging risks or findings and report this to you. Our final commentary in the Auditors' Annual Report will include:

- a summary of our findings on any risks identified during our work;
- our judgements on the adequacy of the Authority's arrangements for each of the three reporting criteria, as set out above;
- any recommendations made to management as a result of our work; and
- a follow up of progress against any recommendations raised in previous audits.

Progress at February 2025 (cont.)

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Works and Pensions (DWP). The certification work for 2023-24 is in progress and we will report any significant findings to the Audit and Governance Committee.

We also certify the Authority's Teacher's Pension return. The certification work for 2023-24 is in progress and we will report any significant findings to the Committee.

Meetings

Since our appointment as auditors of the Council from the audit year 2023/24 we have met with management including the Chief Executive, the interim Director of Finance and other members of the finance team.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers have been invited to attend our Financial Reporting Workshop in March, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report

Audit Fees

PSAA have published their scale fees for 2024/25 [2024/25 auditor appointments and audit fee scale – PSAA](#)

For Bath and North East Somerset Council these fees are £386,300. These fees are derived from the procurement exercise carried out by PSAA in 2022. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.

Audit Deliverables

Below are some of the audit deliverables planned for 2024/25.

2024/25 Deliverables		Planned Date*	Status
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council’s 2023/24 financial statements.		April 2025	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the Audit Committee.		November 2025	Not yet due
Auditors Report This includes the opinion on your financial statements.		November 2025	Not yet due
Auditor’s Annual Report This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.		November 2025	Not yet due

*The planned dates are subject to national timetables, agreement with officers and unforeseen technical issues that may arise during the audit period. However, our expectations is to complete all necessary work by 31/12/2025

Audit Deliverables

Below are some of the audit related deliverables planned for 2023/24.

2023/24 Audit related deliverables	Planned date*	Status
Teachers Pensions Scheme – certification This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.	March 2025	Not yet due
Housing Benefit Subsidy – certification This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.	March 2025	Not yet due

*The planned dates are subject to national timetables, agreement with officers and unforeseen technical issues that may arise during the audit period.

Sector updates

IFRS 16 - leases

Lessee accounting up to 31 March 2024

Until April 2024, when a local authority gained the use of an asset under a lease agreement, it had to determine whether it was a finance lease or an operating lease. The distinction was based on which entity had substantially all the risks and rewards of ownership. It was important because finance leased assets were deemed capital and accounted for on the authority's balance sheet, whereas operating lease costs were charged to expenditure over the life of the lease.

Lessee accounting from 1 April 2024

From the adoption by local government of IFRS 16 leases on 1 April 2024, the distinction between operating and finance leases for lessees has been removed. Now all leases, apart from those that are deemed low value or short term, are accounted for on balance sheet by lessees.

Asset and liability recognised

Under IFRS 16, lessees recognise their right to use an asset, and they recognise a liability for the present value of the total amount they expect to pay over the period of the agreement for that asset. Initially, the right of use asset and the liability are usually recognised at the same value, unless there have been any relevant payments before the start of the lease.

After initial recognition, the right of use asset is valued the same way as owned assets of a similar type and the liability is increased for interest due or changes in expected payments due to the application of a rate or index such as retail price index; and decreased for amounts paid.

Public sector adaptation

In the public sector, the definition of a lease has been extended to include the use of assets for which little or no consideration is paid, often called "peppercorn" rentals. This is one instance where the right of use asset and its' associated liability are not initially recognised at the same value. For peppercorn rentals, the right of use assets are initially recognised at market value. Any difference between market value and the present value of expected payments is accounted for as income. This has similarities with the treatment of donated assets.

Judgements required

Most of the information needed to determine the appropriate figures for the accounts will come from the lease agreement. However, sometimes judgements may need to be made by management. Such judgements may include:

- ❖ determining what is deemed to be a low value lease. This is based on the value of the underlying asset when new and is likely to be the same as the authority's threshold for capitalising owned assets;
- ❖ determining whether an option to terminate or extend the lease will be exercised. This is important as it affects the lease term and subsequently the calculation of the lease liability based on the expected payments over the lease term; and
- ❖ the valuation of the right of use asset after recognition. An expert valuer may be required to support management in this.

IFRS 16 – leases continued

Lessor accounting

IFRS 16 has preserved the distinction between finance and operating lease accounting for lessors. The key things that lessors need to be aware of are:

- ❖ assets leased out for a peppercorn rental should be treated as finance leases if they have, in substance, been donated to the operator; and
- ❖ if the asset is sub-let, the consideration of whether the sub-lease is a finance lease or an operating lease takes account of the value and duration of the head lease rather than the value and life of the underlying asset.

Page 29



Questions to consider

Questions for Audit Committees to ask themselves include:

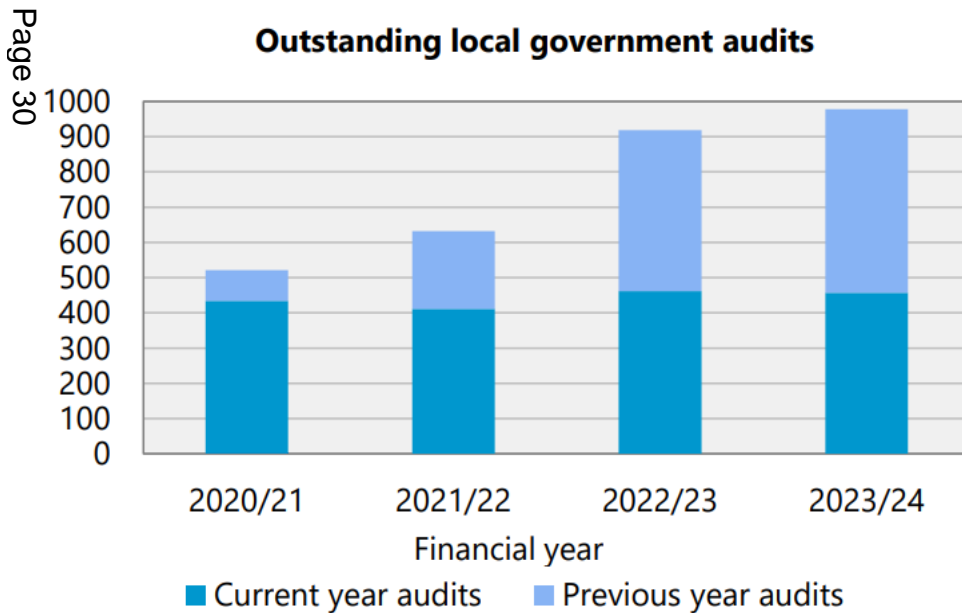
- ❖ How have we gained assurance on completeness? Have we identified all our leases, including those for a peppercorn rent?
- ❖ Have we set our threshold for low value leases?
- ❖ Have we identified all options to terminate or extend existing leases and assessed the lease term based on the likelihood we will exercise them?
- ❖ Have we reconciled our operating lease commitments as disclosed in our 31 March 2023 accounts under IAS 17 to our lease liability under IFRS 16 on 1 April 2024?
- ❖ How have we gained assurance that right of use assets are carried at the appropriate value at the balance sheet date?
- ❖ For an intermediate lessor, have we reassessed whether the leases out are finance or operating leases with reference to the terms of the head lease?
- ❖ Have we updated our systems to ensure that the budgetary and accounting impact of all leases is identified in a timely and effective manner?

For more information, see [IFRS 16: how can local authorities prepare? | Grant Thornton](#)

Update on the local audit backlog

On 19th November 2024, the [Financial Reporting Council \(FRC\)](#) shared the latest Public Sector Audit Appointments Ltd (PSAA) data on the number of local government audits outstanding nationally by their due dates for 2020/21, 2021/22, 2022/23, and for 2023/24 (where 30 September 2024 was treated as the cut-off date).

The FRC showed that on 30th September, on average every local authority buying their external audit services through PSAA had two years audits outstanding.



We are pleased to be able to show that Grant Thornton rates of delivery are well ahead of the national average. PSAA data shows that by mid November 2024, Grant Thornton had signed off 74% of all opinions due up to and in respect of 2022/23. For prior year value for money audits, 99% have been completed, putting us significantly ahead of the national average.



Grant Thornton

74% opinions signed

99% completed VFM audits

With new [backstop arrangements having been announced](#) and a new [Code of Audit Practice](#) the focus now will be on recovery, enabling those authorities which have been backstopped to rebuild assurance over the coming years.

On 13th December 2024, disclaimed or modified opinions will be required for all financial years up to and including 2022/23, if financial audits are not complete. On 28th February, the same will apply for the financial year 2023/24. The government is clear that where there are modified opinions, auditors are still expected to discharge their other statutory duties, for example to report on Value for Money arrangements. To support the recovery, all authorities should prioritise the timely publication of draft financial statements along with supporting working papers.

Audit Committee members may find this ICAEW podcast (which features Grant Thornton) on unclogging the local audit backstop useful <https://www.icaew.com/insights/podcast/behind-the-numbers/can-we-unclog-the-local-audit-backlog>

Reflections on the Autumn Budget

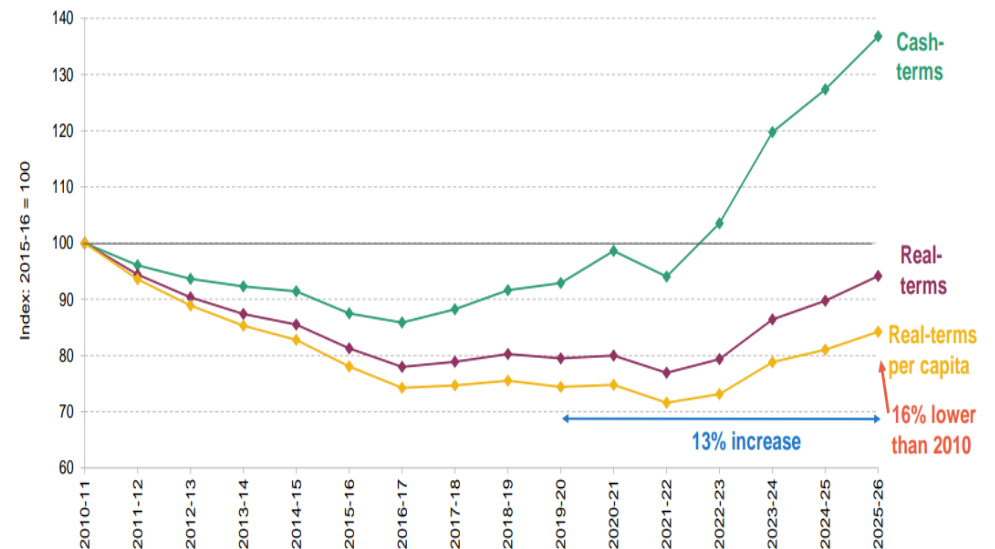
[The Autumn Budget 2024](#) had mixed reactions in the local government sector. The budget included measures that are expected to provide a 3.2% real-terms increase in total local government core spending power next year (2025/26). This includes £1.3 billion of extra funding through the finance settlement; council tax flexibilities; and locally-retained business rates. There were a raft of other positive measures equating to an additional £4.5 billion in additional funding for the sector as well.

However, not everything was positive. Multi-year settlements were delayed (since [announced](#) as starting from 2026/27). The UK Shared Prosperity Fund has been nearly halved (from £1.5 billion to £0.9 billion), with Cornwall estimated to be the biggest English loser. It was also unclear what impact increased employer national insurance contributions, and a higher minimum wage would have on the sector. There was speculation around whether compensation will fully cover additional employer national insurance costs; what will happen if town and parish councils are not included in compensation packages; and how the social care sector will cope with the additional costs.

As the graph on the right shows, the [Institute for Fiscal Studies](#) estimates that core funding per resident will still be 17% lower in 2025/26 than it was in 2010 - or 16% lower after allowing for extended producer responsibility (ERP).

Financial pressure is not going away. Councils need to continue with financial discipline and, for future planning, should avoid optimism bias. When it comes to preparing budgets for 2025/26 and the medium-term period thereafter, Audit Committees need to be just as ready to challenge assumptions as they needed to be before under the previous administration.

Institute for Fiscal Studies: Funding per resident 16% lower than 2010 after allowing for ERP:



Reorganisation and devolution – time to prepare

With the Autumn Budget came the announcement of a forthcoming Devolution White Paper. Even while we wait for the paper, the direction of travel towards reorganisation and devolution already seems clear:

- ❖ At the Annual LGA Conference on 23 October 2024, Local Government Minister Jim McMahon stated that the government’s ambition is to have Combined Authorities across all England
- ❖ The 30 October 2024 Budget papers included: “The upcoming English Devolution White Paper will set out more detail on the government’s devolution plans, including working with councils to move to simpler structures that make sense for their local areas, with efficiency savings from council reorganisation helping to meet the needs of local people”
- ❖ Speaking at the LGC Summit in November, the Lords Minister for Housing and Local Government [Baroness Sharon Taylor](#) stated that “The intention is to have a tiered approach that enables regions to progress as quickly as they are able and willing, those who are ready and capable of advancing faster will be encouraged to do so”. The Baroness made it clear that those ready to move to Combined Authority should have the confidence to do so.
- ❖ The government is implementing the first integrated settlements for the Greater Manchester and West Midlands Combined Authorities from the start of the 2025/2026 financial year, as well as for the North-East, South Yorkshire and West Yorkshire Mayoral Combined Authorities, and Liverpool City Region Combined Authority from the start of the 2026/2027 financial year.
- ❖ On 28 November 2024, the [Local government finance policy statement](#) stressed that “devolving power to leaders with skin in the game will generate new jobs, skills, and ultimately growth, by allowing policy to be informed by local knowledge”.

It will be important that those considering reorganisation are well prepared. Grant Thornton’s recent study of [Learning from the new unitary councils](#) shows how important it is to think early about the right finance team; the governance and performance management frameworks that are going to be needed; the strategic approach to IT; and arrangements for joined-up procurement and contract management.



However, it is also important to go into reorganisation with realistic expectations. The [Local Government Chronicle](#) highlighted in November that evidence is mixed on whether creating unitaries leads to savings; and mixed on whether setting up unitaries necessarily leads to the greater devolution regions may be hoping for.

In the short term it is worth noting, as [Baroness Sharon Taylor](#) herself highlighted, that Whitehall is unlikely to support fiscal devolution when so many councils are still struggling to catch-up with accounts backlog.



Local government finance policy statement 2025 to 2026

The Ministry of Housing, Communities and Local Government published their Finance Policy Statement for 2025/26 on 28th November 2024, setting out what local government leaders can expect in the finance settlement for 2025/26 (expected on or around 19th December 2024).

Key headlines from the Finance Policy Statement include:

- ❖ As part of “efficiency” efforts, the government states they will repurpose some grants to target more funding towards Councils that have a weak tax bases, and high levels of need and service demand;
- ❖ The rural services grant, which last year totalled over £100 million, is one of several funds being “repurposed” to redirect funding towards more deprived areas;
- ❖ A one off £600 million recovery grant has been created from repurposed grants, which the government will distribute according to need, using deprivation as a “proxy” tool for measuring;
- ❖ The government has promised that no Council will see a reduction in core spending power if they make use of the Council Tax increase, which remains the same as last year; and
- ❖ Ministers want to “fundamentally improve the way we fund councils and direct funding to where it is most needed, based on an up-to-date assessment of need”.

This is a new start for local government funding reform, talked about for so long but so far never implemented. For some Councils, it will bring welcome support, for others it is likely to mean reduced funds.

It is going to be important for Councils to look out for the consultation that the government says will follow; and to stay abreast of any future announcements on transitional arrangements that the government indicates will be considered.

For a full copy of the Statement, see [Local government finance policy statement 2025 to 2026](#).



Ministry of Housing,
Communities &
Local Government

Renewing and reforming governance

English councils seeking to restore trust in how they spend council taxpayers' money should recommit to the Nolan principles underpinning high standards in public life, a report published by the think-tank Localis, and supported by Grant Thornton, has advised.

The Localis report acknowledges the severe challenges faced by Councils since the abolition in 2010 of regulator the Audit Commission, and the effect of straitened local finance settlements, but argues that improved governance will be essential to ensuring attempts by the new government to rebuild local public finances are effective.

Among principal recommendations aimed at Councils, the report calls for a shift towards long-term financial planning in line with multi-year settlements once they are introduced; and for local authorities to create organisational cultures that embrace challenge and criticism and hold town hall leaders accountable.

This process would be achieved, the paper suggests, by:

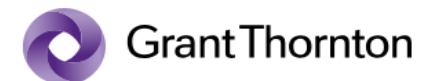
- ❖ Formalising checks and balances;
- ❖ Giving statutory monitoring officers more support and protection to perform their duties;
- ❖ Reviewing whistleblowing policies; and
- ❖ Strengthening internal audit functions to identify emerging financial threats.

In their recommendations to central government, the report authors call for a national body, or set of local bodies, to oversee the local audit system by setting standards, managing contracts, maintaining quality of audit as well as overseeing the strategic functions of Councils.

A further key recommendation is for central government to provide a framework for local government that establishes a clear definition of good governance and outlines the different roles and responsibilities of local government – effectively moving away from the current centralised approach to council financing and empowering Councils to manage their finances strategically.

Other recommendations include a call to give Councils more resources to clear the backlog of audits and to recruit and retain experienced governance officers by working with professional organisations.

For a full copy of the report, see [“Renewing and reforming local financial governance towards long-term resilience and sustainability”](#),



Local Government and Social Care Ombudsman Triennial Review

The Local Government and Social Care Ombudsman (LGSCO) published their latest triennial review in October 2024, stating that in the last three years they have made decisions on more than 52,000 complaints across every dimension of local service provision. They highlighted that their casework is dominated by complex issues in the areas of homelessness, special educational needs and disabilities (SEND) and adult social care, rather than the small localised matters envisaged fifty years ago when the Ombudsman was first set up.

Page 35
As the last port of call for complaints about the actions of local councils and adult social care providers, LGSCO's work gives them a unique insight into the effectiveness of public redress and accountability systems. The Ombudsman plays a vital role in identifying systemic failure. However, their triennial findings paint a worrying picture about the state of services, and they make a case for being given more powers to act.

"In the last three years we have become increasingly concerned about the ongoing sustainability and effectiveness of the sectors within our jurisdiction and the sustainability of our own service..... This is caused by the acute challenges in local government and social care, the effectiveness of statutory public services and the closure of discretionary services".

Local Government &
Social Care
OMBUDSMAN

The triennial review called for four changes to help maximise the impact LGCSO can have in future:

- ❖ Simplified legislation giving the Ombudsman clear, straightforward powers of investigation for all local government services;
- ❖ A new statutory duty for Ombudsman to monitor compliance with the Complaint Handling Code ensuring that all Councils adhere to it; and putting LGSCO on an equivalent footing to the Housing Ombudsman and UK Ombudsman services;
- ❖ Mandatory signposting to the Ombudsman by all adult social care providers, including those in the private sector, who tend not to signpost at present; and
- ❖ New powers for the Ombudsman to investigate the implementation of education, health and care plans; support for children with additional needs; and admissions and exclusions in schools.

For a full copy of the triennial review see [LGSCO Triennial Review 2024-27](#).

Reforming the children's social care system

Government data [published in November](#) shows that council spending on looked after children increased from £3.1 billion in 2009/10 to £7 billion in 2022/23.

However, while social workers struggle with rising caseloads and councils face bankruptcy, Local Government Association analysis quoted by the government shows that there are over 1,500 children in placements that each cost the equivalent of over £0.5 million every year, while the largest 15 private providers make an average of 23 per cent profit.

Looking specifically at deprivation of liberty, the [Children's Commissioner](#) concluded in November that "Children's basic rights (are) being ignored in a system that puts profit-making above protection".

Bridget Phillipson, Secretary of State for Education, announced on 18 November 2024, that the government intends to tackle those private providers who deliver "subpar standards of care at sky-high costs". Intended new reform measures laid out by the government include:

- ❖ Increased financial transparency for placement providers, allowing councils to challenge profiteering whilst also allowing oversight over supply chain continuity;
- ❖ A backstop law to limit profitability; and
- ❖ New powers to Ofsted to fine providers for breaches to safety and quality standards.

New funding for preventative work is expected to follow and the government is calling for more not-for-profit providers to come forward and set up homes.

The Children's Commissioner has in turn called for far fewer children to be deprived of their liberty, and never in an illegal children's home.

For Councils thinking of starting preventative work or thinking of setting up new homes, Audit Committees should ask what networking has been undertaken. There are many Councils that have already investing in prevention packages and in-house provision. A realistic understanding of their experiences and the timescales for financial return will be important.

As a minimum, Audit Committees should be asking about the legality of their Council's current provision.



Special Educational Needs

The [National Audit Office reported in October](#) that the current system for Special Educational Needs (SEN) is not achieving value for money and is not sustainable. Key statistics supporting that conclusion are that:

- ❖ Since 2015, demand for EHC plans has increased 140%, leading to 576,000 children with plans in 2024. There has also been a 14% increase in the number of those with SEN support, to 1.14 million pupils in school;
- ❖ Although DfE has increased high-needs funding, with a 58% real-terms increase between 2014-15 and 2024-25 to £10.7 billion, the system is still not delivering better outcomes for children and young people or preventing local authorities from facing significant financial risks;
- ❖ The Department for Education estimates that some 43% of local authorities will have deficits exceeding or close to their reserves in March 2026. This contributes to a cumulative deficit of between £4.3 billion and £4.9 billion when accounting arrangements that stop these deficits impacting local authority reserves are due to end; and furthermore....
- ❖ Families and children lack confidence in a SEN system that often falls short of statutory and quality expectations.

Along similar lines, [the County Councils Network](#) has estimated that almost three quarters of England's largest councils risk bankruptcy by 2027 if statutory override for their Special Educational Needs and Disability (SEND) deficits ends in March 2026.

The Autumn Budget Included a £1 billion funding uplift to reform the SEND system, but this looks far from likely to address the fundamental issues of concern. For SEN, the National Audit Office has recommended:

- ❖ Whole system reform;
- ❖ Root cause analysis of the reasons for the rise in SEN demand;
- ❖ Local authorities being given the power to require providers to take SEN pupils
- ❖ Building a vision and long-term plan for inclusivity across mainstream education.

For Councils struggling with SEND deficits now, the last point is at least one that they can already have some influence over. The NAO refers to building “an evidence base” for where mainstream settings can best support children with SEN; and using this to improve parents’ confidence in mainstream options. The NAO also refers to improving data and interventions around the early years so that needs are identified and supported early, avoiding them escalating into needs outside the mainstream.

Whilst we wait for a wholesale reform that could take years to come, Audit Committees can help by asking challenging questions around how their Council compares with others for ratios of children educated in a mainstream setting; and how their Council compares for ratios of spend on early years rather than later years intervention.

For a full copy of the National Audit Office report, see

For a full copy of the County Council’s October article, see [SEND deficits risk bankrupting almost three quarters of England’s largest councils by 2027, with government urged to take action - County Councils Network](#)



National Audit Office

The travel to school challenge

The County Council's Network (CCN) and IMPOWER have released a new report which spotlights the financial pressure on Council's home to school transport budgets and sets out key strategies for local areas to adopt to help meet the challenge.

The 140% increase in the number of EHC plans over the course of the last decade has led to dramatically increased "travel to school" (TTS) costs and CCN's data estimates that:

- ❖ The average Council in England was transporting 1,300 SEND pupils in 2023/24, up from 911 in 2018/19. This is an increase of 43%;
- ❖ The average cost per SEND pupil using transport has also increased by 32%: from £6,280 to £8,299 per pupil;
- ❖ If nothing changes, the number of children requiring free transport will rise from 85,000 in 2023 to 129,000 in 2028; and
- ❖ The cost could reach £3.6 billion per year by 2030.

The report argues that a system-wide response is needed to tackle the TTS challenge. Councils need to balance costs, user satisfaction and outcomes and then work to:

- ❖ Influence demand (with a view to increasing the uptake of personal transport budgets);
- ❖ Take a data driven approach (to tailoring transport options while transitioning); and then
- ❖ Maximise independence - by offering independent travel training and promoting the personal transport budgets.

In the short term, "nearest available school" management checks and regular needs-based reviews are important. Underpinning everything in the report is the basic premise that enabling independent travel brings as many gains socially to children as it does financially to government.

For a full copy of the report, see [Resources - County Councils Network](#).



"TTS is a formative part of all our lives, whether that is being dropped off on our first day at primary school by our parents, making new friends on the bus to secondary school or that first taste of independence walking home alone".

"Getting to and from school is the first step on a journey towards independent travel that opens many doors".

Crisis of care for adults

Data published by the [Nuffield Trust](#) in November shows that:

- ❖ Increases to Employer National Insurance Contributions (announced in the Autumn Budget) look set to cost the adult social care sector over £900 million next year, more than wiping out the extra funds allocated to social care the Budget; and
- ❖ Taken together with the planned increases to National Minimum Wage rates, 18,000 independent organisations providing adult social care in England will be faced with increased costs of an estimated £2.8 billion in the next financial year. Many could potentially exit the market.

This comes after the [Association of Directors of Adult Social Services](#) had already published their annual Autumn Survey showing how fragile the sector already is:

- ❖ Even before the Autumn Budget, 81% of Councils expected to overspend their adult social care budgets in 2024/25 (up from 72% in 2023/24), with an estimated total overspend of £564 million; and
- ❖ Significant numbers of councils were already being required to make further in-year savings —35%, compared to 19% in 2022.

With needs becoming ever more complex, and therefore difficult to make savings around; and investment money needed if the approach is ever to move from

reactive to preventative care, it is hard not to see the increases in national Insurance and the Minimum wage as hugely problematic for the care sector.

As the Nuffield Trust argues, if Councils are unable to pay social care providers' higher fees after the changes go through, most small providers who cannot absorb these extra costs will have to increase prices for people who pay for their own care; stop accepting council-funded people; or go out of business altogether.



Climate Action Scorecards – Right of Reply

An important stage in Climate Emergency UK's scorecard marking for 2025 opened on 11th November: The Council's right of reply stage. The right of reply closes on 16th December but if councils need an extension to 10th January 2024, this can be arranged with Climate Emergency UK for a fee of £70.

All UK Councils are being marked and scored by Climate Emergency UK on their climate action against 93 questions in 7 different sections. The 2025 launch will be scoring councils on actions taken between 1st January 2020 and October 2024.

Page 40



Marking and scoring is based on results from publicly available data on Council websites; national data compiled by government and non-government organisations; Freedom of Information requests sent to Councils; and news stories (on Council website or other media). Information on Council websites that may have been used could include:

- ❖ Strategies for housing; fuel poverty, transport, biodiversity, trees, waste and food;
- ❖ The Local Plan, the Development Plan, and supplementary planning documents;
- ❖ Parking standards;
- ❖ The Joint Strategic Needs Assessment and details from Health partnership and Local Enterprise partnership pages;
- ❖ External event policies;
- ❖ School catering contracts and tenders; and
- ❖ All public meeting papers and minutes, including financial data.

All Councils will by now have received the first marks they scored for all questions; and have been given a five-week period to reply. We note that in 2023, 74% of all UK councils responded to the right of reply.

For insight into what the finished scores looked like in 2023, see [Council Climate Scorecards](#).

For details of your right of reply before latest findings are published in 2025, see [Climate Emergency UK Right of Reply](#).

Reforming the right to buy – consultation

On 20th November 2024, the government opened an eight-week consultation seeking views on how the Right to Buy should be reformed to deliver a fairer system, to enable tenants to buy their own homes whilst also ensuring councils can replace those homes. This follows the Autumn Budget's reduction in maximum Right to Buy cash discounts. Views are now being sought on:

- ❖ the qualifying criteria for tenants;
- ❖ initial and maximum discounts as a percentage of the property value;
- ❖ which types of properties should be exempted under the scheme;
- ❖ whether there should be increased restrictions on properties after sale;
- ❖ the replacement of homes sold under the Right to Buy; and
- ❖ rules governing the use of Right to Buy receipts and how these could be simplified.

The consultation closed at 11:59pm on 15 January 2025 and we await the outcome

[Reforming the Right to Buy - GOV.UK.](#)



Ministry of Housing,
Communities &
Local Government



Procurement Act “go-live” delayed

The Cabinet Office announced in a statement on 12 September 2024 that the implementation of the Procurement Act 2023 has been delayed by four months. Originally due to come into force on 28 October 2024, the 'go-live' date of the Act has been delayed until 24 February 2025. The government states that this is to allow time for a new National Procurement Policy Statement to be prepared and agreed.

The delay will be welcomed by many Councils because it means more time to prepare for the changes the new Act will bring. Transition should be smoother as the additional four months eases more time for training staff and updating policies. However, it also does mean that Councils need to decide what to do for new procurements that had been planned to occur around now. Councils need to decide whether to go ahead with the new procurement using existing regulations or whether to extend existing contracts and delay the new procurements until February.

Councils are going to need to be clear with suppliers but also clear with themselves. Important messages to convey to staff over this interim period will be:

- ❖ Any spike in contract extensions for this one-off period will need to be ring-fenced as something not expected to be repeated; and
- ❖ Any new procurements entered into during these interim four months will need to go on being managed under the existing regulations even if there are modifications to the contracts after February 2025.

Regardless of which regulations apply at any one time, local government procurement is a complex area which we have shown in previous reports is often under-resourced. Questions that Audit Committees can usefully be asking while we wait for the new Act include as much about business as usual as they do about the current legal changes:

- ❖ How many vacant posts are there in our procurement top team?
- ❖ Where contract management is devolved outside the procurement top team, what are the on-going support and training arrangements for contract managers?
- ❖ Are exemptions and waivers reported to us regularly?
- ❖ What oversight is there now over decisions around contract extensions and delays while we wait for the new law to come into force?

For the Ministerial Statement on delays to the Procurement Act, see [UK Parliament](#).

For more general lessons to learn on procurement and contract management see [Local government procurement and contract management](#).

For a recent guide by the Crown Commercial Service to getting ready for the changes, see [TPP-Customer-Guidance](#).



Finance workforce

In October 2024, the Local Government Association (LGA) provided a series of key recommendations for action at a local, regional and national level to address the workforce challenges that face the finance profession in English Councils. LGA research, which was supported by CIPFA and funded by MHCLG, reported:

16% Average vacancy rate for finance posts

26% Accountancy roles vacant

21% Internal audit roles vacant

20% Business partner roles vacant



The LGA report made twenty-six different recommendations were clustered around four strategic themes:

- ❖ Leadership capacity and capability – succession planning for future Chief Finance Officers;
- ❖ Attracting and recruiting the right staff - especially at graduate and junior level;
- ❖ People development – including professional training for those already in finance teams; and continuous professional development for those that have already qualified; and
- ❖ Creating the right environment to deliver – including reducing the use of agency and interim staff; better workforce planning; and equipping staff with skills to help with retention.

Engaging with the “next generation” is going to be vitally important for any workforce action plan to be sustainable. LGA reported that two thirds of the respondents they surveyed said the main reasons for employees leaving the service was to increase their pay. Staff leaving for retirement was the second most frequent reason. Staff seeking better career opportunities was the third most frequent reason.

LGA reports that the most common problem, raised by those consulted, was the absence of a national approach to marketing and promotion for careers in local government finance. A national website was suggested, with clear communication to a wider audience; and expert support from a national centre to individual Councils running recruitment campaigns. Better regional and local co-operation was also noted as required though.

One thing that might help is the new Local Government Graduate Programme finance scheme (“IMPACT”). This is a four-year programme that treats graduates across different councils as one cohort – with central support. Whilst this is currently only being piloted in London, some councils elsewhere in the country have started to participate with a local campaign in place of or alongside the national campaign.

For details of IMPACT and the Councils already partnering with it, see [**Impact: The Local Government Graduate Programme – partner councils.**](#)

For the full LGA report, see [**Local government finance workforce action plan for England.**](#)



The Chancellor's [Pensions Investment Review interim report](#) was published on 14th November 2024, on the same day that the Chancellor Rachel Reeves gave her first Mansion House speech. The report shows that, with an asset value of £392 billion and 6.7 million members, the Local Government Pension Scheme (LGPS) has been afforded a workstream of its own as the government assesses what best to do with UK pension schemes.

In connection with next year's planned Pensions Bill, the government is now consulting on how best to make LGPS "Fit for the Future" - reducing fragmentation, enhancing consolidation, and harnessing investment potential. The government is considering

- ❖ A more consistent approach to pooling;
- ❖ Local investment duties; and
- ❖ Arrangements for consistent governance.

The measures put forward would require administering authorities to work with local, mayoral and strategic authorities to identify local investment opportunities, and to have regard for local growth plans and priorities when setting their investment strategy.



LGPS is a defined benefit scheme and is one of the largest pension schemes in the UK. The LGPS consultation closes at 11.59 pm on 16th January.

To have your say in the future of the scheme, follow this link: [Local Government Pension Scheme: Fit For The Future](#).



"The LGPS is one of the largest pension schemes in the UK with over six million members".

Seasonal thoughts for the roads

With parts of England having experienced their first snow of the 2024/25 winter in November, Councils may want to consider their latest pothole repair cost and compensation claim projections.

England had a relatively mild winter in 2023/24, and the RAC reported this may mean drivers ‘dodged the “pothole bullet” last year. They reported lower call out rates over the three months of winter 2023/24 than they did in 2022/23.

Page 45
The outlook for 2024/25 weather is not yet clear – but we do know that sub-zero temperatures normally cause more road surface damage, meaning more repairs needed and more driver compensation claims received. We also know that many roads are already at breaking point.

In the Autumn Budget, Rachel Reeves declared that “potholes have been a visible reminder of our failure to invest as a nation” and pledged an additional £500 million available per annum for road maintenance budgets from next year.

Whether the money will come soon enough to help any growing damage over the coming months will depend on the weather though. Whilst the snow made many of us dream of a White Christmas, for those balancing the repair budget and waiting for compensation claims to be received, it may have been more of a reminder of just how bleak the mid-winter can be. If the cold continues, “trouble-free roads” may need to feature in letters to Santa.

For Rachel Reeves’s speech, see [Autumn Budget 2024 speech - GOV.UK.](#)

For RAC data on winter 2023/24, see [RAC Drive.](#)



Audit Committee resources

The Audit Committee and organisational effectiveness in local authorities [CIPFA]:

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

The Three Lines of Defence Model (IAA)

<https://www.theiaa.org/globalassets/documents/resources/the-iaas-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

Financial Management Code

<https://www.cipfa.org/fmcode>

Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>



This page is intentionally left blank

Bath & North East Somerset Council	
MEETING:	Audit Committee
MEETING DATE:	5th February 2025
TITLE:	Treasury Management Strategy Statement 2025/26
WARD:	All
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 - Treasury Management Strategy 2025/26 Appendix 2 – Authorised Lending List	

1 THE ISSUE

- 1.1 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.2 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.
- 1.3 Investments held for service or commercial purposes are considered in the Capital and Investment Strategy within the Budget Report which is also included on the agenda for Cabinet & Council for February.

2 RECOMMENDATIONS

The Audit Committee agrees to;

- 2.1 Recommend the actions proposed within the Treasury Management Strategy Statement (**Appendix 1**) to Council;
- 2.2 Note the Treasury Management Indicators detailed in **Appendix 1**;

3 THE REPORT

Background

- 3.1 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- 3.2 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare a Treasury Management Strategy; this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 3.3 The suggested strategy for 2025/26 in respect of the following aspects of the treasury management function is based on the Treasury Officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor, Arlingclose.

The strategy covers:

•	Treasury limits in force which will limit the treasury risk and activities of the Council;
•	Treasury Management Indicators;
•	The current treasury position;
•	The borrowing requirement;
•	Prospects for interest rates;
•	The borrowing strategy;
•	The investment strategy.

- 3.4 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code). This requires the Treasury Management Strategy and policies to be scrutinised by an individual / group of individuals or committee, and the Audit Committee have been nominated by Council to carry out this function.

2025/26 Treasury Management Strategy Statement

- 3.5 The Strategy Statement for 2024/25 set the Treasury Indicators for 2024/25 – 2026/27, which included a forecast for the total borrowing requirement at the end of 2024/25 of £441.7m. At the end of December 2024, actual external borrowing was at £266.95 million, with further borrowing potentially required prior to year-end to maintain cashflow. The level of borrowing is in line with the policy of utilising internal cash to reduce net borrowing costs and investment counterparty risk.
- 3.6 The proposed Treasury Management Strategy is attached as **Appendix 1** and includes the Treasury Management Indicators required by the Treasury Management Code.
- 3.7 Although the indicators provide for a maximum level of total borrowing, this should by no means be taken as a recommended level of borrowing, as each year

affordability needs to be taken into account together with other changes in circumstances, for example revenue pressures, levels and timing of capital receipts, changes to capital projects spend profiles, and levels of internal cash balances.

- 3.8 The Revenue & Capital Budget Report 2025/26, which is also on February's Cabinet and Council agenda, includes appropriate provision for the revenue costs of the capital programme in accordance with this Treasury Management Strategy.
- 3.9 **Appendix 1** also details the Council's current portfolio position as at 31st December 2024, which shows after the netting off of the £43.10 million investments, the Council's net debt position was £223.85 million.
- 3.10 The Treasury Investment Strategy section of **Appendix 1** sets 'outer limits' for treasury management operations. While the strategy uses credit ratings in a "mechanistic" way to rule out counterparties, in operating within the policy, Officers complement this with the use of other financial information when making investment decisions, for example Credit Default Swap (CDS) prices, Individual Ratings, and the financial press. This has been the case in previous years, which has protected the Council against losses of investment, for example in Icelandic banks.
- 3.11 The Counterparty listing in **Appendix 2** includes credit ratings from three agencies, as well as a sovereign rating for each country. Counterparties who now meet the minimum criteria as recommended in **Appendix 1** (as at 31st December 2024) are included in the listing in **Appendix 2**.
- 3.12 The Council has met the conditions to opt up to MiFID II professional status and intends for this to continue in 2025/26 in order to continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to continue to receive the same level of support from our treasury management advisors.

4 STATUTORY CONSIDERATIONS

- 4.1 This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 The resource implications are included in the report and appendices.

6 RISK MANAGEMENT

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance.
- 6.2 The Council's lending & borrowing list is regularly reviewed during the financial year and credit ratings are monitored throughout the year. All lending and borrowing transactions are within approved limits and with approved institutions. Investment & Borrowing advice is provided by our Treasury Management consultants Arlingclose.

- 6.3 The 2021 edition of the CIPFA Treasury Management in the Public Services: Code of Practice requires the Council nominate a committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. The Audit Committee carries out this scrutiny.
- 6.4 In addition, the Council maintain a risk register for Treasury Management activities, which is regularly reviewed and updated where applicable during the year.

7 CLIMATE CHANGE

- 7.1 The 2025/26 Treasury Management Strategy includes options for ESG (Environmental, Social and Corporate Governance) focussed investments.

8 OTHER OPTIONS CONSIDERED

- 8.1 The Executive Director - Resources, having consulted the Cabinet Member for Resources, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are the table below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times.	Interest income will be lower.	Lower chance of losses from credit related defaults, but any such losses may be greater.
Invest in a wider range of counterparties and/or for longer times.	Interest income will be higher.	Increased risk of losses from credit related defaults, but any such losses may be smaller.
Borrow additional sums at long-term fixed interest rates.	Debt interest costs will rise; this is unlikely to be offset by higher investment income.	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain.
Borrow short-term or variable loans instead of long-term fixed rates.	Debt interest costs will initially be lower.	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain.
Reduce level of borrowing.	Saving on debt interest is likely to exceed lost investment income.	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain.

9 CONSULTATION

- 9.1 Consultation has been carried out with the Cabinet Member for Resources, Executive Director - Resources and Monitoring Officer.

Contact person	<i>Jamie Whittard - 01225 477213; Claire Read – 01225 477019</i> Jamie_Whittard@bathnes.gov.uk ; Claire_Read@bathnes.gov.uk
-----------------------	---

Background papers	<i>2024/25 Treasury Management & Investment Strategy</i>
Please contact the report author if you need to access this report in an alternative format	

This page is intentionally left blank

Appendix 1

Treasury Management Strategy Statement 2025/26

1. Introduction

1.1 Treasury management overview

Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

Investments held for service or commercial purposes are considered in the Capital & Investment Strategy document which is included as an appendix to the Authority's 2025/26 Revenue & Capital Budget Report.

1.2 External Context

1.2.1 Economic background (per advisor January 2025):

The impact on the UK from the government's Autumn Budget, slower than expected interest rate cuts, modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Authority's treasury management strategy for 2025/26.

The Bank of England's (BoE) Monetary Policy Committee (MPC) held Bank Rate at 4.75% at its December 2024 meeting, having reduced it to that level in November and following a previous 25bp cut from the 5.25% peak at the August MPC meeting. At the December meeting, six Committee members voted to maintain Bank Rate at 4.75% while three members preferred to reduce it to 4.50%.

The November quarterly Monetary Policy Report (MPR) expected Gross Domestic Product (GDP) growth to pick up to around 1.75% (four-quarter GDP) in the early period of the BoE's forecast horizon before falling back. The impact from the Budget pushes GDP higher in 2025 than was expected in the previous MPR, before becoming weaker.

Current GDP growth was shown to be zero (0.0%) between July and September 2024 and 0.4% between April and June 2024, a further downward revision from the 0.5% rate previously reported by the Office for National Statistics (ONS).

ONS figures reported the annual Consumer Price Index (CPI) inflation rate at 2.6% in November 2024, up from 2.3% in the previous month and in line with expectations. Core CPI also rose, but by more than expected, to 3.6% against a forecast of 3.5% and 3.3% in the previous month. The outlook for CPI inflation in the November MPR showed it rising above the MPC's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of calendar 2025. This represents a modest near-term increase due to the ongoing impacts from higher interest rates, the Autumn Budget, and a projected margin of economic slack. Over the medium-term, once these pressures ease, inflation is expected to stabilise around the 2% target.

The labour market appears to be easing slowly, but the data still require treating with some caution. The latest figures reported the unemployment rate rose to 4.3% in the three months to October 2024 and economic inactivity fell to 21.7%. Pay growth for the same period was reported at 5.2% for both regular earnings (excluding bonuses) and for total earnings. Looking ahead, the BoE MPR showed the unemployment rate is expected to increase modestly, rising to around 4.5%, the assumed medium-term equilibrium unemployment rate, by the end of the forecast horizon.

The US Federal Reserve has continued cutting interest rates, bringing down the Fed Funds Rate by 0.25% at its December 2024 monetary policy meeting to a range of 4.25%-4.50%, marking the third consecutive reduction. Further interest rate cuts are expected, but uncertainties around the potential inflationary impact of incoming President Trump's policies may muddy the waters in terms of the pace and magnitude of further rate reductions. Moreover, the US economy continues to expand at a decent pace, rising at an (upwardly revised) annual rate of 3.1% in the third quarter of 2024, and inflation remains elevated suggesting that monetary policy may need to remain more restrictive in the coming months than had previously been anticipated.

Euro zone inflation rose above the European Central Bank (ECB) 2% target in November 2024, hitting 2.2% as was widely expected and a further increase from 2% in the previous month. Despite the rise, the ECB continued its rate cutting cycle and reduced its three key policy rates by 0.25% in December. Inflation is expected to rise further in the short term, but then fall back towards the 2% target during 2025, with the ECB remaining committed to maintaining rates at levels consistent with bringing inflation to target, but without suggesting a specific path.

1.2.2 Credit outlook (November 2024):

Credit Default Swap (CDS) prices have typically followed a general trend downwards during 2024, reflecting a relatively more stable financial period compared to the previous year. Improved credit conditions in 2024 have also led to greater convergence in CDS prices between ringfenced (retail) and non-ringfenced (investment) banking entities again.

Higher interest rates can lead to a deterioration in banks' asset quality through increased loan defaults and volatility in the value of capital investments. Fortunately, the rapid interest rate hikes during this monetary tightening cycle, while putting some strain on households and corporate borrowers, has not caused a rise in defaults, and banks have fared better than expected to date, buoyed by strong capital positions. Low unemployment and robust wage growth have also limited the number of problem loans, all of which are positive in terms of creditworthiness.

Moreover, while a potential easing of US financial regulations under a Donald Trump Presidency may aid their banks' competitiveness compared to institutions in the UK and other regions, it is unlikely there will be any material impact on the underlying creditworthiness of the institutions on the counterparty list maintained by Arlingclose, the authority's treasury adviser.

Overall, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

1.2.3 Interest rate forecast (December 2024):

The Authority's treasury management adviser Arlingclose expects the Bank of England's MPC will continue reducing Bank Rate through 2025, taking it to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.

Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue to remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will be short-term volatility due to economic and (geo)political uncertainty and events.

A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.

For the purpose of setting the budget, it has been assumed that short term treasury investments will be made at an average rate of 4.00% and long-term strategic investments will yield an average rate of 4.25%. It is forecast that new loans will be borrowed at an average rate of 5.10% during 2025/26.

1.3 Local Context

1.3.1 Council's position as at 31st December 2024: The Council held £266.95m of borrowing and £43.1m of treasury investments. This is set out in further detail in Table 1 below.

Table 1: Balance sheet summary

	31/12/2024 Actual portfolio £m	31/12/2024 Average rate %
External borrowing:		
Public Works Loan Board	231.95	3.47%
Local authorities	25.00	5.21%
LOBO loans from banks	10.00	4.50%
Total external borrowing	266.95	3.67%
Treasury investments:		
Local authorities	20.00	5.19%
Banks (unsecured)	3.10	4.07%
Money market funds	10.00	4.77%
Strategic pooled funds	10.00	4.47%
Total treasury investments	43.10	4.84%
Net debt	223.85	

1.3.2 Capital Financing Requirement:

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Council's Capital Financing Requirement (CFR, or underlying need to borrow) excluding lease financing as at 31st March 2025 is expected to be £382.7m and is forecast to rise to £441.8m by March 2026 as capital expenditure is incurred.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. The Council expects to comply with this recommendation during 2025/26.

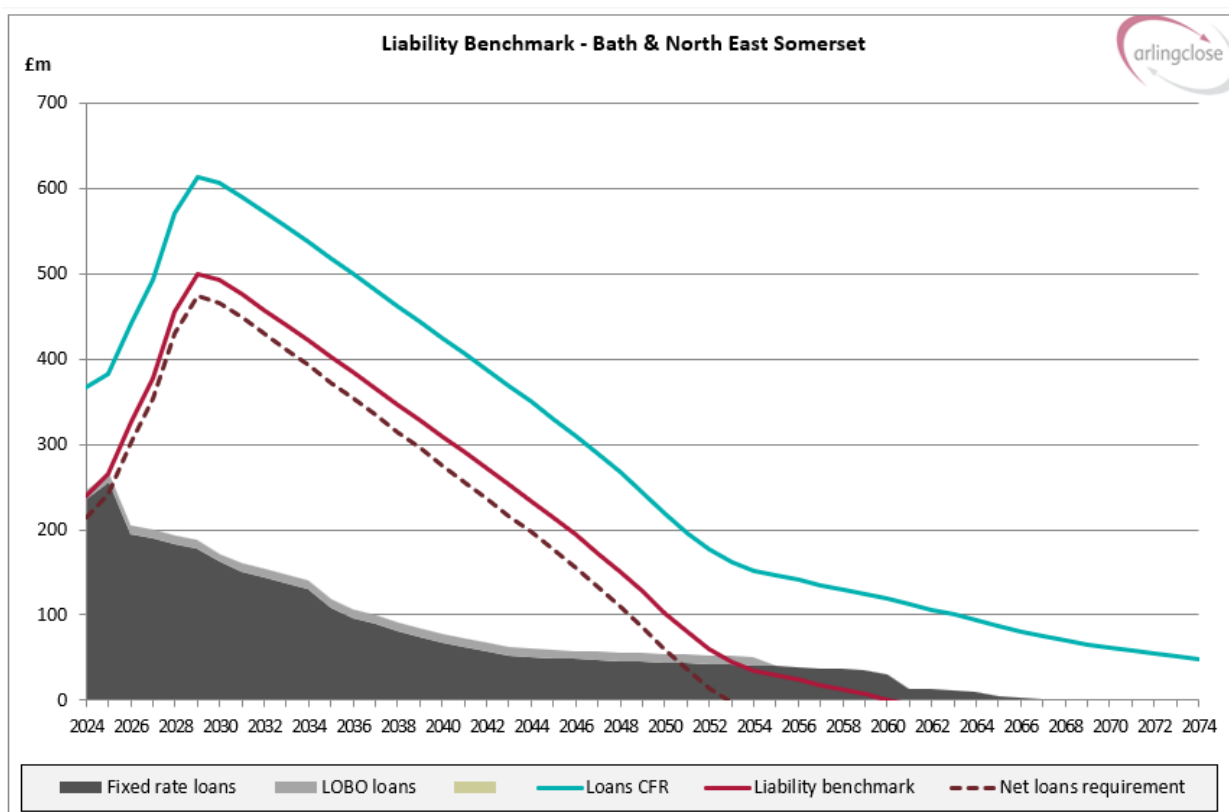
Liability Benchmark

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator: Liability benchmark

	31.3.24 Actual £m	31.3.25 Estimate £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m
Loans CFR	367.60	382.66	441.81	492.39	570.26
Less: Balance sheet resources	(143.30)	(131.70)	(129.70)	(129.50)	(130.20)
Net loans requirement	224.30	250.96	312.11	362.89	440.06
Plus: Liquidity allowance	15	15	15	15	15
Liability benchmark	239.30	265.96	327.89	377.89	455.06

Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of around £35m for 2025/26, minimum revenue provision on new capital expenditure based on a 25 year asset life and income, and expenditure increasing by inflation of 2% a year. This is shown in the chart below together with the maturity profile of the Council's existing borrowing:



When we compare actual borrowing (the grey slopes) to the Liability Benchmark (solid red line) the model anticipates that the Council will be in a under borrowed position between 2025 and 2052. When the Council is considering new long-term borrowing, this funding gap can be used, as a useful guide to the optimal amount and length of borrowing required in order to minimise interest rate and credit risk.

2. Borrowing Strategy

2.1 Current borrowing

The Council currently holds £266.95 million of loans, an increase £49.97 million on the previous year. The Council has taken out £70m in new borrowing between January 2024 & December 2024. £45m was in in order to keep cash balances in line with the Liability Indicator, £10m was to cover a pension prepayment and £15m was for refinancing maturing loans. This was netted off by £5.03m in PWLB annuity loan repayments and £15m in repayment of maturing loans.

2.2 Objectives

The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

2.3 Strategy

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

Short-term interest rates are currently higher than in the recent past, but are expected to fall in the coming years and it is therefore likely to be more cost effective over the medium term to borrow short term loans. The risks of this approach will be managed by keeping the Council's interest rate exposure within the limit set in the treasury management prudential indicators. By doing so the Council is able to reduce net borrowing costs, over time and overall treasury risk.

The benefits will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years. Arlingclose may assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2025/26 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and it may consider investigating the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow further short-term loans to cover unplanned cash flow shortages.

2.4 Sources of borrowing

The Approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- National Wealth Fund Ltd (formally UK Infrastructure Bank Ltd)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the Avon Pension Fund)

- capital market bond investors
- retail investors via a regulated peer-to-peer platform
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

2.4.1 Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject to specific approval in accordance with the Council's appropriate delegation.

2.4.2 LOBOs: The Council has £10m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. These LOBOs have options due up in 2025/26 and it is possible that lenders will exercise their options. If they do, the Council will take the option to repay LOBO loans to reduce refinancing risk in later years. Total borrowing via LOBO loans will be limited to the current £10m.

2.4.3 Short-term and variable rate loans: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

2.4.4 Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

3. Treasury Investment Strategy

3.1 Current investments

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £25.5m and £72.1m and similar levels are expected to be maintained in the forthcoming year.

3.2 Objectives

The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

3.3 Strategy

As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments in line with advice from Arlingclose.

The Council's existing portfolio of investments in strategic pooled funds, £5m in CCLA Local Authority Property Fund, £3m in FP Foresight UK Infrastructure Income Fund, and £2m in the VT Gravis Clean Energy Income Fund, will be maintained to diversify risk into different sectors and boost investment income, further details of this are provided in section 3.8.

Under the Markets in Financial Instruments Directive (MiFID) II, the Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Executive Director - Resources believes this to be the most appropriate status.

To be categorised as Professional the Council must hold at least a £10m investment balance, the Council's three pooled investments mentioned above, which are medium – long term investments, guarantee that this balance will always be held. By placing this required £10m balance in these three pooled funds the Council aims to achieve a total return that is equal or higher than the long-term average rate of inflation thus preserving the spending power of this £10m balance.

The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.

The total amount borrowed will not exceed the 2025/26 authorised borrowing limit of £451m. The maximum period between borrowing and expenditure is expected to be three years, although loans are linked with its budgeted programme, individual items within that programme are not linked to the loans at a granular level.

Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

3.4 Approved counterparties

The Council may invest its surplus funds with any of the counterparty types in Table 3 below, subject to the limits shown.

Table 3: Treasury investment counterparties and limits

Sector	Minimum credit rating*	Time limit	Counterparty limit	Sector limit
The UK Government	NA	5 years	Unlimited	Unlimited
Local authorities & other government entities	NA	5 years	£10m	Unlimited
Secured investments	A-	5 years	£10m	Unlimited
Banks (unsecured)	A-	13 months	£10m	Unlimited
Building societies (unsecured)	A-	13 months	£10m	£15m
Registered providers (unsecured)	A-	5 years	£5m	£5m
Money market funds	A-	n/a	£10m	£60m
Strategic pooled funds	NA	n/a	£5m	£10m
Foreign countries per country	AA+	13 months	£10m	£10m

ESG focussed short term deposits	A-	13 months	£5m	£5m
Other investments	A-	5 years	£5m	£5m

This table must be read in conjunction with the notes below

*** Minimum credit rating:** Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

3.4.1 Government: Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 5 years.

3.4.2 Local Authorities and Other Government Entities: Although most UK local authorities have not opted to obtain a formal credit rating from either Fitch, Moody's or Standard & Poors, they are considered quasi-governmental by advisors and therefore are assigned the same rating as the UK Government for the purpose of establishing credit criteria. No local authority has ever defaulted in its loan arrangements. The above withstanding the Council will consider other factors including; if a S114 Notice has been issued, if exceptional financial support is requested/granted and the status of the authorities' statement of accounts.

3.4.3 Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds, secured deposits and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

3.4.4 Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

3.4.5 Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

3.4.6 Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. The Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

3.4.7 Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly. Note that this classification covers the Council's two ESG investments and the investment in the CCLA property fund.

3.4.8 Foreign countries: This category covers investment with both the governments of foreign countries and banks based in foreign countries. Where a bank is domiciled in a foreign country, the bank must meet the minimum credit criteria set out in Table 3 of A-for 'Banks (unsecured)' and be domiciled in a country which meets the minimum credit rating criteria set of AA+.

3.4.9 Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and unsecured company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk. Any investment under this category will only be made following a favourable external credit assessment and on the specific advice of the Council's treasury management adviser.

Note: Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

3.4.10 Operational bank accounts: The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in. The Bank of England has stated that in the event of failure, banks with assets greater

than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

3.5 Risk assessment and credit ratings

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

3.5.1 Other information on the security of investments: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

The Council is aware that investing with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited

with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

3.6 Investment limits

The Council's revenue reserves (including earmarked reserves) available to cover investment losses was £84 million as at 31st March 2024. To limit risk from any single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £10 million which represents 11.83% of reserves. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

3.7 Liquidity management

The Council uses forward looking forecasting based on prior year cashflows combined with knowledge of upcoming income/spending to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

The Council will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

3.8 Environment Social and Governance investment approach

3.8.1 The Climate Emergency: In 2019 Bath and North East Somerset Council declared a Climate emergency reflecting the concern that the Council has over climate change, and the commitment of the Council to address the issue with regards to evaluating the climate change impact of all our decisions.

3.8.2 Background: The CIPFA Treasury Management Code and DLUHC Investment Guidance state that the main principles in investing are Security, Liquidity and Yield in that order. However, as part of the 2021 Code, CIPFA now requires local authorities to have some consideration of ESG factors when investing.

3.8.3 Long term ESG investments:

In the 2021/22 Treasury Management Strategy the Council adopted an ESG investment approach as part of its 2021/22 Investment Strategy. Resulting in a long-term investment of £5m investment split across the following two ESG focused funds;

- £3m into FP Foresight UK Infrastructure fund; &
- £2m into VT Gravis Clean energy income fund.

3.8.4 Short term ESG investments:

When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

The Authority may also consider options for investment in short-term funds with institutions who ring fence the use of such funds for ESG related matters. The criteria for credit rating of security of such deposits will need to remain in line with the wider Authority policy, however where appropriate and at the Authority's discretion, some flexibility will be provided to allow for slightly longer durations of investment and potentially lower returns in order to support the ESG focus. Where such flexibility is used, the investment will be subject to agreement of the S151 Officer taking these factors into consideration.

Direct involvement and financing of Green energy projects is treated as capital expenditure, and as such is not covered within the remit of treasury management.

3.9 Other matters

Avon Pension Fund Investments: The Council's Treasury Management team also manage the Avon Pension Fund's internally held cash on behalf of the Fund. The cash balance held internally is a working balance to cover pension payments at any point in time and it is estimated will be an average of £43 million, being around 0.72% of the overall assets of the Fund. The regulations require that this cash is accounted for separately and invested separately from the Council's cash.

Investments held will operate within the framework of this Investment Strategy, but the maximum counterparty limit and investment term with any counterparty are set annually by the Avon Pension Fund Committee. These limits are in addition to the Council's limits for counterparties as set out in Appendix 2.

The Pension Fund's investment managers are responsible for the investment of cash held within their portfolios, and this policy does not relate to their cash investments. The Brunel Pension Partnership does not have any direct impact on the Council's treasury management activities.

4. Treasury Management Prudential Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

4.1 Treasury Borrowing Limits for 2025/26 to 2027/28

It is a statutory duty under s.3 of the Local Government Act 2003, and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. This amount is termed the 'Affordable Borrowing Limit'.

The Council must have regard to the Prudential Code when setting the Affordable Borrowing Limit. The Code requires a Council to ensure that its total capital investment remains within sustainable limits and, in particular, that the impact upon its future Council tax levels is 'acceptable'.

The Affordable Borrowing Limit must include all planned capital investment to be financed by external borrowing and any other forms of liability, such as credit arrangements. The Affordable Borrowing Limit is to be set on a rolling basis for the forthcoming year and two successive financial years.

The Authorised limits for external debt include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over and above the operational limit for unusual cash movements.

The Operational boundary for external debt is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements. This level also factors in the proposed approach to use internal cash-flow and future capital receipts as the preferred financing method for the capital programme.

Table 4: Operational and authorised borrowing limits

	2025/26 £m	2026/27 £m	2027/28 £m
Operational Boundary – Borrowing	414	465	543
Operational Boundary – Other Long-Term Liabilities	9	9	9
Operational boundary – TOTAL	423	474	552
Authorised Limit- Borrowing	442	492	570
Authorised Limit – Other Long-Term Liabilities	9	9	9
Authorised limit – TOTAL	451	501	579

4.2 Security

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Table 5: Portfolio average credit rating criteria

Credit risk indicator	Target
Portfolio average credit rating	A-

4.3 Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Table 6: Minimum 3 month liquidity limit

Liquidity risk indicator	Target
Total cash available within 3 months	£15m

4.4 Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	+/- £0.8m
Upper limit on one-year revenue impact of a 1% fall in interest rates	+/- £0.8m

The impact of this limit is that the Council should never be holding a maturity adjusted net debt/investment position of more than £800k subject to variable interest rates.

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates, this includes amounts which are maturing each year in PWLB annuity loans.

4.5 Maturity structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Table 8: Borrowing maturity limits

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and within 25 years	100%	25%
Over 25 years	100%	

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. For LOBO's this will now be shown as the date of their maturity.

4.6 Long-term treasury management investments

This indicator looks at investments that at inception are for over 364 days or with no fixed maturity date. The purpose of which is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Table 9: Investment maturity limits

Price risk indicator	2025/26	2026/27	2027/28	No fixed Date
Limit on principal invested beyond year end	£20m	£20m	£10m	£10m

Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

5. Related Matters

The CIPFA Code requires the Authority to include some of the following in its treasury management strategy.

5.1 Treasury management advisers

The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues, although responsibility for final decision making remains with the Council and its officers. The services received include:

- advice and guidance on relevant policies, strategies and reports,
- advice on investment decisions,
- notification of credit ratings and changes,
- other information on credit quality,
- advice on debt management decisions,
- accounting advice,
- reports on treasury performance,
- forecasts of interest rates, and
- training courses.

The quality of this service is monitored by officers on a regular basis, focusing on supply of relevant, accurate and timely information across the headings above.

5.2 Financial derivatives

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures.

In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

5.3 External Funds

Where schools have not opted to have their own bank account, the Council manages their investment balances as part of its own. The Council treats the schools' balances in its accounts as part of the Council's investment portfolio but assigns a return at a rate of base rate less 0.25% (capped to a minimum of zero where base rate drops below 0.25%) to schools for their respective balances.

5.4 Staff and Councillor training

The needs of the Council's treasury management staff for training in investment management are assessed every year as part of the staff performance development review process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Training in treasury management is also provided to Members of the Audit Committee by the Council's treasury advisors, Arlingclose.

5.5 Financial Implications

The budget for treasury management investment income in 2025/26 is £1.4m, based on an average investment portfolio of £33m at an average interest rate of 4.10%. The budget for debt interest paid in 2025/26 is £11.8m, based on an average debt portfolio of £295m at an average interest rate of 4.00%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecasts, performance against budget will be correspondingly different.

Where investment income from strategic pooled funds exceeds budget, then 50% of the revenue savings may be transferred to the Capital Financing Reserve to mitigate the risk of capital losses in future years should valuation losses on fair value treasury assets require recognition, or where capital losses were crystallised on the sale of treasury assets.

5.6 Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Executive Director - Resources, having consulted the Cabinet Member for Resources, believes that the above strategy represents an

20

appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Table 10: Alternative treasury strategy options considered

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Arlingclose Economic & Interest Rate Forecast – December 2024

Underlying assumptions:

- As expected, the Monetary Policy Committee (MPC) held Bank Rate at 4.75% in December, although, with a 6-3 voting split and obvious concerns about economic growth, presented a much more dovish stance than had been expected given recent inflationary data.
- The Budget measures remain a concern for policymakers, for both growth and inflation. Additional government spending will boost demand in a constrained supply environment, while pushing up direct costs for employers. The short to medium-term inflationary effects will promote caution amongst policymakers.
- UK GDP recovered well in H1 2024 from technical recession, but underlying growth has petered out as the year has progressed. While government spending should boost GDP growth in 2025, private sector activity appears to be waning, partly due to Budget measures.
- Private sector wage growth and services inflation remain elevated; wage growth picked up sharply in October. The increase in employers' NICs, minimum and public sector wage levels could have wide ranging impacts on private sector employment demand and costs, but the near-term impact will likely be inflationary as these additional costs get passed to consumers.
- CPI inflation rates have risen due to higher energy prices and less favourable base effects. The current CPI rate of 2.6% could rise further in Q1 2025. The Bank of England (BoE) estimates the CPI rate at 2.7% by year end 2025 and to remain over target in 2026.
- The MPC re-emphasised that monetary policy will be eased gradually. Despite recent inflation-related data moving upwards or surprising to the upside, the minutes suggested a significant minority of policymakers are at least as worried about the flatlining UK economy.
- US government bond yields have risen following strong US data and uncertainty about the effects of Donald Trump's policies on the US economy, particularly in terms of inflation and monetary policy. The Federal Reserve pared back its expectations for rate cuts in light of these issues. Higher US yields are also pushing up UK gilt yields, a relationship that will be maintained unless monetary policy in the UK and US diverges.

Forecast:

- In line with our forecast, Bank Rate was held at 4.75% in December.
- The MPC will reduce Bank Rate in a gradual manner. We see a rate cut in February 2025, followed by a cut alongside every Monetary Policy Report publication, to a low of 3.75%.
- Long-term gilt yields have risen to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility will remain

elevated as the market digests incoming data for clues around the impact of policy changes.

- This uncertainty may also necessitate more frequent changes to our forecast than has been the case recently.
- The risks around the forecasts lie to the upside over the next 12 months but are broadly balanced in the medium term.

	Current	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.90	4.60	4.35	4.10	3.90	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
5yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.34	4.30	4.20	4.10	4.00	3.90	3.90	3.95	4.00	4.05	4.05	4.05	4.05
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
10yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.56	4.55	4.45	4.30	4.20	4.20	4.20	4.20	4.25	4.25	4.25	4.25	4.25
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
20yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	5.05	5.00	4.90	4.80	4.70	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
50yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.52	4.70	4.60	4.50	4.40	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

This page is intentionally left blank

Complete Credit List as at: 31/12/2024

		ARLINCLOSE RECOMMENDS		FITCH RATINGS				MOODY'S RATINGS				STANDARD & POOR'S RATINGS					
Counterparty	Country of Domicile	Maximum Deposit/CD Duration	Repo & Covered Bonds	Short- term	Long-term	Viability	Outlook	Short- term	Long-term	Baseline Credit Assess	Outlook	Short- term	Long-term	Outlook	Banking Group	Accepts Deposits	Notes
UNITED KINGDOM: BANKS																	
BANK OF SCOTLAND PLC	GB	6 months	Yes	F1+	AA-	a+	STABLE	P-1	A1	a3	STABLE	A-1	A+	STABLE	Lloyds Banking Group	Yes	Ringfenced bank
LLOYDS BANK PLC	GB	6 months	Yes	F1+	AA-	a+	STABLE	P-1	A1	a3	STABLE	A-1	A+	STABLE		Yes	Ringfenced bank
LLOYDS BANK CORPORATE MARKET	GB	100 days	Yes	F1+	AA-		STABLE	P-1	A1	baa3	STABLE	A-1	A	STABLE			Non-ringfenced bank
BARCLAYS BANK PLC	GB	6 months	Yes	F1	A+	a	STABLE	P-1	A1	baa2	STABLE	A-1	A+	STABLE	Barclays Group	Yes	Non-ringfenced bank
BARCLAYS BANK UK PLC	GB	6 months	Yes	F1	A+	a	STABLE	P-1	A1	a3	STABLE	A-1	A+	STABLE		Yes	Ringfenced bank
CLYDESDALE BANK	GB	100 days	Yes	F1	A	bbb+	STABLE	P-1	A1	baa1	STABLE	A-1	A	STABLE	Nationwide	Yes	Also trades as Virgin Money
HANDELSBANKEN PLC	GB	6 months	-	F1+	AA		STABLE					A-1+	AA-	STABLE	Svenska HB	Yes	
HSBC BANK PLC	GB	6 months	Yes	F1+	AA-	a	STABLE	P-1	A1	baa3	STABLE	A-1	A+	STABLE	HSBC Group	Yes	Non-ringfenced bank
HSBC UK BANK PLC	GB	6 months	Yes	F1+	AA-	a	STABLE	P-1	A1	a3	STABLE	A-1	A+	STABLE		Yes	Ringfenced bank
NATIONAL WESTMINSTER BANK	GB	6 months	Yes	F1	A+	a	POS	P-1	A1	a3	STABLE	A-1	A+	STABLE	NatWest Group	Yes	Ringfenced bank
NATWEST MARKETS PLC	GB	6 months	Yes	F1	A+		POS	P-1	A1	baa3	STABLE	A-1	A	STABLE		Yes	Non-ringfenced bank
ROYAL BANK OF SCOTLAND PLC/T	GB	6 months	Yes	F1	A+	a	POS	(P)P-1	A1	a3	STABLE	A-1	A+	STABLE		Yes	Ringfenced bank
SANTANDER UK PLC	GB	6 months	Yes	F1	A+	a	STABLE	P-1	A1	baa1	STABLE	A-1	A	STABLE	Santander	Yes	Ringfenced bank
STANDARD CHARTERED BANK	GB	6 months	Yes	F1	A+	a	STABLE	P-1	A1	baa2	POS	A-1	A+	STABLE		Yes	
UK: BUILDING SOCIETIES																	
NATIONWIDE BUILDING SOCIETY	GB	6 months	Yes	F1	A+	a	STABLE	P-1	A1	a3	STABLE	A-1	A+	STABLE	Nationwide	Yes	
UK: LOCAL AUTHORITIES																	
ABERDEEN CITY COUNCIL	GB	2 years +	-						A2	baa1	STABLE						
BIRMINGHAM CITY COUNCIL	GB	NONE	-														
CROYDON LONDON BOROUGH OF	GB	NONE	-														
DERBYN WALL COUNCIL	GB	2 years +	-						A1	a3	STABLE						
GREATER LONDON AUTHORITY	GB	2 years +	-									A-1+	AA	STABLE			
LANCASHIRE COUNTY COUNCIL	GB	2 years +	-		A+		STABLE		A2	baa2	STABLE		AA-	STABLE			
NORTH LONDON WASTE AUTHORITY	GB	2 years +	-						A1	a3	STABLE						
NOTTINGHAM CITY COUNCIL	GB	NONE	-														
ROTHAM BOROUGH COUNCIL	GB	NONE	-														
SUTTON LONDON BOROUGH OF	EN	2 years +	-						A1	a3	STABLE						
THURROCK BOROUGH COUNCIL	GB	NONE	-														
TRANSPORT FOR LONDON	GB	2 years	-	F1+	AA-		STABLE	P-1	A2	a3	STABLE	A-1+	AA-	STABLE			
WESTMINSTER CITY COUNCIL	GB	2 years +	-						Aa3	a1	STABLE						
WARRINGTON BOROUGH COUNCIL	GB	NONE	-														
WOKING BOROUGH COUNCIL	GB	NONE	-														
UK: OTHER INSTITUTIONS																	
LCR FINANCE PLC	EN	10 years	-		AA-		NEG		Aa3		STABLE		AA				
NETWORK RAIL INFRASTRUCTURE	GB	10 years	-		AA-		NEG	P-1	Aa3		STABLE						
UNITED KINGDOM	GB	50 years	-	F1+u	AA-u		STABLE		Aa3		STABLE	A-1+u	AAu	STABLE		Yes	
OTHER UK LOCAL AUTHORITIES	GB	50 years	-	F1+u	AA-u		STABLE		Aa3		STABLE	A-1+u	AAu	STABLE		Yes	
WELLCOME TRUST FINANCE PLC	GB	15 years	-						Aaa		STABLE		AAA	STABLE			
AUSTRALIA																	
AUST AND NZ BANKING GROUP	AU	6 months	-	F1+	AA-	a+	STABLE	P-1	Aa2	a2	STABLE	A-1+	AA-	STABLE		Yes	
COMMONWEALTH BANK OF AUSTRAL	AU	6 months	Yes	F1+	AA-	a+	STABLE	P-1	Aa2	a1	STABLE	A-1+	AA-	STABLE		Yes	
NATIONAL AUSTRALIA BANK LTD	AU	6 months	Yes	F1+	AA-	a+	STABLE	P-1	Aa2	a2	STABLE	A-1+	AA-	STABLE		Yes	
WESTPAC BANKING CORP	AU	6 months	-	F1+	AA-	a+	STABLE	P-1	Aa2	a2	STABLE	A-1+	AA-	STABLE		Yes	
AUSTRIA	AS		-	F1+u	AA+u		STABLE	P-1	Aa1		STABLE	A-1+	AA+	POS			
OESTERREICHISCHE KONTROLLBAN	AS	6 months	-					P-1	Aa1		STABLE	A-1+	AA+	POS		Yes	"OKB"
CANADA																	
BANK OF MONTREAL	CA	6 months	Yes	F1+	AA	aa-	STABLE	P-1	Aa2	a3	STABLE	A-1	A+	STABLE		Yes	
BANK OF NOVA SCOTIA	CA	6 months	Yes	F1+	AA	aa-	STABLE	P-1	Aa2	a3	STABLE	A-1	A+	STABLE		Yes	
CAN IMPERIAL BK OF COMMERCE	CA	6 months	Yes	F1+	AA	aa-	STABLE	P-1	Aa2	a3	STABLE	A-1	A+	STABLE		Yes	
EXPORT DEVELOPMENT CANADA	CA	10 years	-					P-1	Aaa		STABLE	A-1+	AAA	STABLE		Yes	
NATIONAL BANK OF CANADA	CA	100 days	-	F1+	AA-	a+	STABLE	P-1	Aa2	a3	STABLE	A-1	A+	STABLE		Yes	
ROYAL BANK OF CANADA	CA	6 months	Yes	F1+	AA	aa-	STABLE	P-1	Aa1	a2	STABLE	A-1+	AA-	STABLE		Yes	
TORONTO-DOMINION BANK	CA	6 months	Yes	F1+u	AAu	aa-u	NEG	P-1	Aa2	a2	STABLE	A-1	A+	STABLE		Yes	

Counterparty	Country of Domicile	ARLINGCLOSE RECOMMENDS		FITCH RATINGS				MOODY'S RATINGS				STANDARD & POOR'S RATINGS			Banking Group	Accepts Deposits	Notes
		Maximum Deposit/CD Duration	Repo & Covered Bonds	Short-term	Long-term	Viability	Outlook	Short-term	Long-term	Baseline Credit Assess	Outlook	Short-term	Long-term	Outlook			
DENMARK	DE		-	F1+	AAA		STABLE	P-1	Aaa		STABLE	A-1+u	AAAu	STABLE			
KOMMUNEKREDIT	DE	10 years	-					P-1	Aaa		STABLE	A-1+	AAA	STABLE			
FINLAND	FI		-	F1+	AA+		NEG	P-1	Aa1		STABLE	A-1+	AA+	STABLE			
MUNICIPALITY FINANCE PLC	FI	10 years	-						Aa1		STABLE	A-1+	AA+	STABLE		Yes	
NORDEA BANK ABP	FI	6 months	-	F1+	AA	aa-	STABLE	P-1	Aa3	a3	POS	A-1+	AA-	STABLE		Yes	
OP CORPORATE BANK PLC	FI	100 days	-					P-1	Aa3	a3	STABLE	A-1+	AA-	STABLE		Yes	
GERMANY	GE		-	F1+u	AAAu		STABLE		Aaa		STABLE	A-1+u	AAAu	STABLE			
BAYERISCHE LANDESBANK	GE	6 months	-	F1+	AA-	bbb+	STABLE	P-1	Aa2	baa1	STABLE	NR	NR			Yes	"BayernLB"
DZ BANK AG DEUTSCHE ZENTRAL-	GE	6 months	-	F1+	AA		STABLE	P-1	Aa2	baa2	STABLE	A-1	A+	STABLE		Yes	
FMS WERTMANAGEMENT	GE	25 years	-					P-1	Aaa		STABLE	A-1+	AAA	STABLE		Yes	
KREDITANSTALT FUER WIEDERAUFBRAU (KfW)	GE	25 years	-	F1+u	AAAu		STABLE	P-1			STABLE	A-1+	AAA	STABLE			"KfW"
LANDESBANK BADEN-WUERTTEMBER	GE	6 months	-	F1+	AA-	bbb+	STABLE	P-1	Aa2	baa2	STABLE	NR	NR				"LBBW"
LANDESBANK HESSEN-THURINGEN	GE	6 months	-	F1+	AA-		STABLE	P-1	Aa2	baa2	STABLE	NR	NR			Yes	"Helaba"
LANDESKRED BADEN-WUERTT FOER	GE	25 years	-	F1+	AAA		STABLE	P-1	Aaa		STABLE	A-1+	AA+	POS		Yes	"L-Bank"
LANDWIRTSCHAFTLICHE RENTENBA	GE	25 years	-	F1+	AAA		STABLE	P-1	Aaa		STABLE	A-1+	AAA	STABLE		Yes	"Rentenbank"
NETHERLANDS	NE		-	F1+u	AAAu		STABLE	P-1u	Aaa		STABLE	A-1+u	AAAu	STABLE			
BNG BANK NV	NE	5 years	-	F1+	AAA		STABLE	P-1	Aaa	a1	STABLE	A-1+	AAA	STABLE		Yes	
COOPERATIEVE RABOBANK UA	NE	6 months	-	F1+	AA-	a+	STABLE	P-1	Aa2	a3	STABLE	A-1	A+	STABLE		Yes	"Rabobank"
NEDERLANDSE WATERSCHAPSBAK	NE	5 years	-					P-1	Aaa	a1	STABLE	A-1+	AAA	STABLE		Yes	
NORWAY	NO		-	F1+u	AAAu		STABLE		Aaa		STABLE	A-1+u	AAAu	STABLE			
KOMMUNALBANKEN AS	NO	5 years	-					P-1	Aaa	a1	STABLE	A-1+	AAA	STABLE		Yes	
SINGAPORE	SI		-	F1+u	AAAu		STABLE		Aaa		STABLE	A-1+u	AAAu	STABLE			
DBS BANK LTD	SI	6 months	Yes	F1+	AA-	aa-	STABLE	P-1	Aa1	a1	STABLE	A-1+	AA-	STABLE		Yes	
OVERSEA-CHINESE BANKING CORP	SI	6 months	Yes	F1+	AA-	aa-	STABLE	P-1	Aa1	a1	STABLE	A-1+	AA-	STABLE		Yes	
UNITED OVERSEAS BANK LTD	SI	6 months	Yes	F1+	AA-	aa-	STABLE	P-1	Aa1	a1	STABLE	A-1+	AA-	STABLE		Yes	
SWEDEN	SW		-	F1+u	AAAu		STABLE	P-1	Aaa		STABLE	A-1+u	AAAu	STABLE			
SVENSKA HANDELSBANKEN-A SHS	SW	6 months	-	F1+	AA+	aa	STABLE	P-1	Aa1	a2	STABLE	A-1+	AA-	STABLE	Svenska HB		
SVENSK EXPORTKREDIT AB	SW	5 years	-					P-1	Aa1	a2	STABLE	A-1+	AA+	STABLE			
UNITED STATES OF AMERICA	US		-	F1+u	AA+u		STABLE		Aaa		NEG	A-1+u	AA+u	STABLE			
NORTHERN TRUST CO	US	100 days	-	F1+	AA	aa-	STABLE	P-1	Aa1	a1	STABLE	A-1+	AA-	STABLE			
SUPRANATIONAL																	
AFRICAN DEVELOPMENT BANK (AfDB)	IV	5 years	-	F1+	AAA		STABLE	P-1	Aaa		STABLE	A-1+	AAA	STABLE			
ASIAN DEVELOPMENT BANK	PH	5 years	-	F1+	AAA		STABLE	P-1	Aaa		STABLE	A-1+	AAA	STABLE			
COUNCIL OF EUROPE DEVELOPMENT BANK (CEDB)	FR	15 years	-	F1+	AAA		STABLE	P-1	Aaa		STABLE	A-1+	AAA	STABLE			
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)	GB	25 years	-	F1+	AAA		STABLE	P-1	Aaa		STABLE	A-1+	AAA	STABLE			
EUROPEAN INVESTMENT BANK (EIB)	LX	25 years	-	F1+	AAA		STABLE	P-1	Aaa		STABLE	A-1+	AAA	STABLE			
INTER-AMERICAN DEVELOPMENT BANK (IADB)	US	25 years	-	F1+u	AAAu		STABLE	(P)P-1	Aaa		STABLE	A-1+	AAA	STABLE			
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (THE WORLD BANK)	US	25 years	-	F1+u	AAAu		STABLE	P-1	Aaa		STABLE	A-1+	AAA	STABLE	World Bank Group		"World Bank"
INTERNATIONAL FINANCE CORP	US	5 years	-					(P)P-1	(P)Aaa		STABLE	A-1+	AAA	STABLE			
NORDIC INVESTMENT BANK (NIB)	FI	25 years	-					P-1	Aaa		STABLE	A-1+	AAA	STABLE			

Bath & North East Somerset Council		
MEETING:	Audit Committee	
MEETING DATE:	5 th February 2025	AGENDA ITEM NUMBER
TITLE:	Internal Audit Plan 2024/25 Update and Consultation on the Development of the Internal Audit Plan 2025/2026	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 - Audit Reviews Position Statement (Internal Audit Plan 2024/25)		
Appendix 2 - Reasonable Assurance Methodology Themes / Areas of Assessment		

1 THE ISSUE

1.1 This report:

- 1) provides an update on progress in completing the Internal Audit Plan 2024/25 audit reviews (following the Update Report presented to Committee on 25th September 2024).
- 2) informs the Audit Committee on the methodology to be used to compile and maintain the Internal Audit Plan 2025/26.
- 3) asks for Committee Member input on Council activities, areas or themes they would like to be considered for inclusion in the Internal Audit Plan 2025/26.

2 RECOMMENDATION

- 2.1 The Audit Committee notes the progress in delivery of the 'core' audit reviews in 2024/25 Annual Audit Assurance Plan.
- 2.2 The Audit Committee notes any activity areas or themes that members of the Committee would like to be considered for inclusion in the list of audit reviews which will form the core work of the Internal Audit function for the financial year 2025/26.

3 THE REPORT

3.1 Internal Audit Plan 2024/25 Update

3.1.1 An update on the work of the Internal Audit Team was provided to the Committee on the 25th September 2024.

3.1.2 The report recorded 6 audit reviews carried forward from the previous financial year (2023/24). In September 2024, 5 were recorded as being at 'Final Report' stage and assigned an assurance rating level. The Wi-Fi Networks audit review report was at 'draft' stage. I can inform you that the report was finalised in November, and it was assigned a Level 4 'Substantial Assurance' rating. Management agreed to implement the 4 recorded recommendations by the end of January 2025.

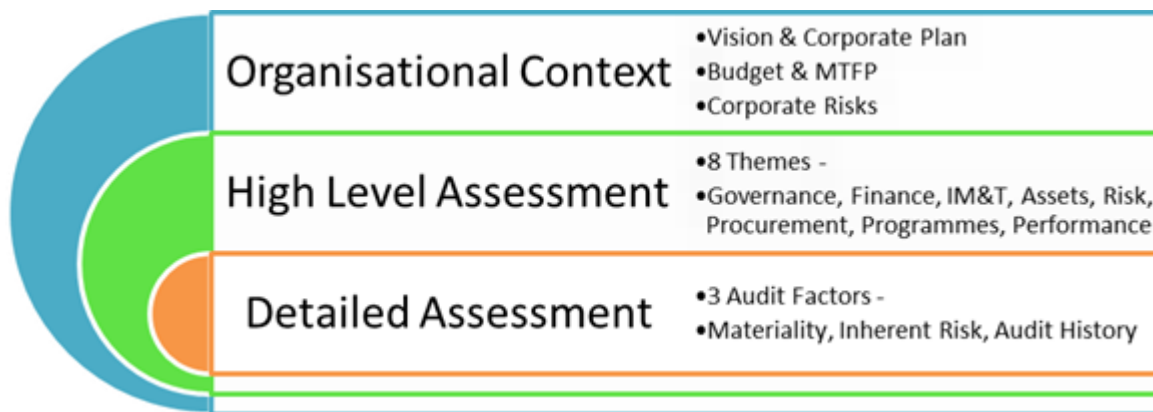
3.1.3 **Appendix 1** records progress on completing the Internal Audit Plan 2024/25 core audit reviews.

- 8 Final 'Assurance' Reports or 'Briefing' Reports Issued
- 4 Draft Reports Issued
- 9 Audits Work-In-Progress / Audit Brief Agreed
- 5 Audits to start – linked to the agreed operation of a 'flexible' Audit Plan (see section 3.3 below), the Head of Audit & Assurance has liaised with the Director of Children's Services & Education to replace the Brokerage audit with a review of Adult Care Adaptations as concerns have been highlighted in terms of delays in provision of necessary adaptations (reliant on effective co-ordination between Council Occupational Therapy and Housing Teams and also property landlords e.g. Curo).

3.2 Internal Audit Planning Methodology - Reasonable Assurance Model

3.2.1 The planning process is based on the fundamental requirement that the Audit Plan proposed will deliver sufficient work to enable the Chief Internal Auditor to independently assess the internal control framework of the Council and provide a 'reasonable assurance' opinion at the end of each year. The model we have adopted, and use is the 'Reasonable Assurance Model'.

3.2.2 The model is outlined in the following diagram with the key element being the high-level assessment of 8 'good governance' themes.



3.2.3 The Principles of the Reasonable Assurance Model are:

- 1) It's a strategic top-down assessment and the themes cover all Council activity not just finance.
- 2) Level of assurance should be continually compared to the level of risk and resources should be focussed firstly on areas of activity where assurance is low and risk is high.
- 3) Risk assessment should be simplified around a small number of key factors.
- 4) As stated in 3.2.1, the Audit Plan should result in sufficient audit reviews to reach a 'reasonable assurance' opinion.

3.2.4 The Audit Plan will then be developed in 3 key stages:

- 1) High Level Risk Assessment of Reasonable Assurance Model (RAM) – **8 Themes**



- 2) Detailed Risk Assessment of auditable areas
- 3) Consultation & Approval

3.2.5 Stage 1 - Risk Assessment of RAM - The 8 Themes

- Each theme has a set of questions to help assess the level of assurance & risk. Examples of areas of assessment within each theme are recorded in **Appendix 2 - Reasonable Assurance Methodology Themes / Areas of Assessment**.
- When assurance (internal / external) and risk has been assessed the results should enable attention to be focussed on the low assurance and / or high-risk areas.
- The assessment of the 8 RAM themes will also be informed through consultation with Council Senior Management, key corporate officers and others (including Corporate Audit Committee members). Individual areas for internal audit review may be identified during the consultation process. The Head of Audit & Assurance will also have a view on areas to be included within the next stage of detailed risk assessment.

3.2.6 Stage 2 – Detailed Risk Assessment of Auditable Areas of Activity

The risk assessment of individual discrete areas for audit review uses the following factors:

- 1) Materiality – a score is assigned based on measurables including – annual income, annual expenditure, or significant agreed budgeted savings (linked to budget setting process).
- 2) Inherent Risk – a score based on assessing separate categories of risk:
 - a) Operational Risk (Cash, Stock, dependency on third party)
 - b) Service Continuity / Reputational Risk (impact on reputation if service provision interrupted)
 - c) Technical Risk (Technological reliance - IT Systems)
- 3) Audit History (Time since when last review / Assurance Level assigned at last review / Results of 'Follow-Up' activity)

This assessment process will provide a long list of audit activity which can be placed in order of scored risk.

3.2.7 Stage 3 – Consultation & Approval – Audit Plan (*Timetable for 2025/26 Plan*)

- 1) Consultation with S151 Officer – (*December 2024 & March 2025*)
- 2) Consultation with Audit Committee – (*5th February 2025*)
- 3) Consultation with Chief Executive & Chief Operating Officer – (*13th March 2025*)
- 4) Consultation with Executive Leadership Team – (*April 2025*)
- 5) Formal approval by Audit Committee – (*30th April 2025*)

3.3 **A Flexible Internal Audit Plan and reporting to Committee on performance and changes to the approved Plan**

3.3.1 Audit Committee has agreed that a flexible Internal Audit Plan of audit reviews is necessary to respond as appropriate to risks and issues.

3.3.2. It is the intention of the Internal Audit Service to continue to present and agree an Internal Audit Plan (list of audit reviews in risk assessed order) at the beginning of each financial year using the reasonable assurance model. However, we will continually risk assess 'areas for review' and monitor available Internal Audit resources / capacity to decide on audit reviews to be prioritised. The Head of Audit and Assurance will report back to the Committee to provide updates on performance and any changes to the approved Internal Audit Plan.

3.4 **Internal Audit Plan 2025/26 Consultation & Input – Audit Committee**

3.4.1 The Audit Committee is a key stakeholder and have responsibility for approving the Internal Audit Plan. The purpose of this report is to obtain Committee Member views and feedback on areas / themes which should be considered during the planning process for potential inclusion in the Internal Audit Plan (to be submitted to this Committee at its next meeting on 30th April 2025).

3.4.2 The European Institutes of Internal Auditors has published a report ('Risk in Focus 2025') which highlights organisational significant risks for 2025 which should be considered when preparing audit plans. Areas particularly relevant to the public sector are detailed below:

- Digital disruption, new technology and artificial intelligence
- Cyber security and data security
- Human capital, diversity and talent management
- Macroeconomic and geopolitical uncertainty
- Climate change, biodiversity and environmental sustainability
- Business continuity, crisis management and disasters response
- Financial risk
- Organisational governance and corporate reporting
- Fraud and bribery

3.4.3 Based on the consultation to-date with Statutory Officers, Directors, Heads of Service and 'Key' Corporate Officers a 'long list' of potential areas for review is being compiled. Once the consultation has been completed the long list of audit reviews will be subject to a risk assessment and sorted so a short list can then be reconciled to audit resources.

3.4.4 From the planning work carried out to date, the following 'themes' are emerging which need to be considered further to scope Internal Audit core audit reviews:

- Children's Services - Special Educational Needs / Designated Schools Grant – Safety Valve Delivery Plan; provision of services in compliance with statutory responsibilities.
- Adult Services – Safeguarding, fulfilling statutory responsibilities and responding to CQC findings and recommendations.
- External funding and delivery of projects
- Debt Management – effective management of Council income / debt.
- IT – Cyber Security and Artificial Intelligence
- Contract Management

3.4.5 It should be noted that in addition to compiling a list of 'core audit reviews', Internal Audit will continue to:

- Provide support to the corporate governance framework within the Council including completing the Annual Governance review work required to publish the Council's Annual Governance Statement.
- Provide support to assess the Council's risk management framework.
- Carry out the Co-ordination and Investigation roles to complete the work required through the Cabinet Office Data Matching 'National Fraud Initiative 2024'.
- Provide advice on systems of internal control including Council policies and procedures. This is particularly important when systems and processes are being developed or changed.
- Provide 'independent' examination of financial records to provide assurance to external funding bodies, e.g. West of England Combined Authority, that grants are being used in compliance with Terms and Conditions.
- Provide support to Services on carrying out investigations in relation to financial irregularities. This may require Audit staff to take on the Investigating Officer role in compliance with the Council's disciplinary procedures.

4 STATUTORY CONSIDERATIONS

4.1 There are no specific statutory considerations related to this report. Accounts & Audit Regulations set out the expectations of provision of an Internal Audit service. This is supported by S151 of the Local Government Act and CIFPA Codes of Practice and the global professional standards for delivery of an adequate Internal Audit Service.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 There are no direct resource implications relevant to this report.

6 RISK MANAGEMENT

6.1 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. Significant risks to the council arising from an ineffective Internal Audit Service include lack of internal control, failures of governance and weak risk management.

6.2 The Audit Committee has specific responsibility for ensuring the Council's Risk Management and Financial Governance framework is robust and effective.

7 EQUALITIES

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8 CLIMATE CHANGE

8.1 There are no direct climate change implications related to this report.

9 OTHER OPTIONS CONSIDERED

9.1 No other options to consider related to this report.

10 CONSULTATION

10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

Contact person	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Audit Reviews Position Statement (as at 31st January 2025)

Ref	Topic	Status	Assurance Level	Recommendations	
				Made	Agreed
B24-001	Climate & Ecological Emergency Response - Performance Monitoring / Reporting	Final	3	5	5
B24-002	Learning Disabilities Pooled Budget - Governance	Final	4	2	2
B24-003	Financial Saving Plan - Monitoring & Delivery Review	Briefing Report	N/A	N/A	N/A
B24-004	Community Sub Contracted Services - Governance	Final	4	4	4
B24-005	DSG -Safety Valve - Programme Management (Mechanisms & Framework)	Final	4	3	3
B24-006	IT - IT Services Recovery Management	Draft	2		
B24-007	IT - Liquidlogic EYES - Data Integrity Audits	WIP			
B24-008	IT - Penetration Testing - IT Healthcheck	Draft	3		
B24-009	IT - Public Website Security	To start			
B24-010	Car Parking - Emissions income charging	WIP			
B24-011	Supported Lodgings (Family Placement Team)	Draft	4	6	
B24-012	Fashion Museum Project - Governance	WIP			
B24-013	Corporate Estate - Energy Management	WIP			
B24-014	Debt Management - Corporate Policy	Briefing Report	N/A	N/A	N/A
B24-015	Aequus Group - Financial Governance	Brief Agreed			
B24-016	Homes for Ukraine – LA Housing Fund Grant (Dept	WIP			
B24-017	Creditor Payments - Supplier Set-Up & Duplicate	Final	4	3	3
B24-018	Brokerage (Adults & Children)- Adult Care Adaptions - Use of Disabled Facilities Grants Stage 1 (current system workflow review - inform improvement plan)	To start			
B24-019	Corporate Parent - Child Protection Independent Reviewing Officers	To start			
B24-020	Car Parking - Park & Ride Contract	To start			
B24-021	Fleet Management - Workshop Activity / Trading	WIP			
B24-022	Payroll Variations	Draft	4	3	
B24-023	Contract Standing Order Exemptions	Final	3	6	6
B24-024	Temporary Accommodation	WIP			
B24-025	Risk Management - Decision Making -adequacy of report risk management assessment	WIP			
B24-026	WECA bidding - Regeneration Schemes programme management	To start			

Reasonable Assurance Methodology Themes / Areas of Assessment

Theme 1 – Corporate Governance <ul style="list-style-type: none"> • Overall Governance Framework • Ethical Framework • Counter-Fraud Arrangements • Vision & High-Level Priorities • Constitution, Structure & Decision Making • Codes of Conduct • Statutory Policy & Budget Framework 	Theme 5 – Procurement & Commissioning <ul style="list-style-type: none"> • Procurement & Commissioning Framework • Delivery/Category Plans • Contract Standing Orders & Rules • Contact & Commercial Management • Governance & Gateways • Knowledge & Skills • Benefits Realisation & Savings
Theme 2 – Financial Management <ul style="list-style-type: none"> • Medium Term Finance & Resource Planning • Annual Budget Setting • Financial Performance – Revenue & Capital • Financial Performance – VFM • Financial Resilience – Reserves • Key Financial Management Systems • Financial Regulations & Rules 	Theme 6 – Programme & Project Management <ul style="list-style-type: none"> • Transformational Change Programmes • Links to Corporate Vision & Objectives • Major Project Governance • Change Control • Project Reporting • Financial & Risk Management • Benefit Realisation
Theme 3 – Risk Management <ul style="list-style-type: none"> • Risk Management Strategy & Framework • Risk Maturity & Appetite • Decision Making • Corporate/Strategic Risks • Major Project Risks • Transformation Risks • HR Risks • Fraud Risks • Safety Risks 	Theme 7 – Information Management <ul style="list-style-type: none"> • Information Management & Technology Strategy • Standards & Security Requirements • Information Security • Information Compliance • Data Quality, Classification & Integrity • Business Continuity & Disaster Recovery • Transparency
Theme 4 – Performance Management <ul style="list-style-type: none"> • Corporate Plan & Corporate Performance • Service Planning & Service Performance • Internal & External Benchmarking • Strategic Performance Reviews & Business Intelligence • Target Setting & Reporting • Customer Feedback & Complaints • Integrated Reporting • Transparency 	Theme 8 – Asset Management <ul style="list-style-type: none"> • Asset Management Strategy (& Plans) • Safeguarding & Security • Asset Utilisation (& Realisation) • Workforce Planning • HR Framework • Skills & Training Development Programme • Organisational Development & Change

This page is intentionally left blank

Bath & North East Somerset Council		
MEETING:	Audit Committee	
MEETING DATE:	5 th February 2025	AGENDA ITEM NUMBER
TITLE:	Annual Governance Statement 2024/2025	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 - High Level Methodology for Preparing the Annual Governance Statement		
Appendix 2 – B&NES Council Local Code of Corporate Governance 2024		

1 THE ISSUE

- 1.1 The aim of the report is to inform the Committee on the Annual Governance Review process, update on significant issues from last year and enable the Committee to fulfil its responsibilities associated with the publication of the Council's Annual Governance Statement 2024/25.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee notes the report.

3 THE REPORT

3.1 Annual Governance Statement

- 3.1.1 In November 2024 the Audit Committee received a presentation on the Council's Statement of Accounts and this included slides on the Council's Annual Governance Statement 2023/24 and the 'significant' reportable issues of Financial Challenge (Service Demand & Cost Pressures) and Children Services (Dedicated Schools Grant Deficit & the Safety Valve Agreement).

- 3.1.2 An update on the position with regard to the DSG Deficit and Safety Valve Agreement was presented to this Committee including details on actions and progress. It is still highly possible this issue will remain significant in relation to the Annual Governance Statement in 2024/25.

- 3.1.3 The Financial Challenge issue remains severe, work on the Children's Transformation Plan progresses well but service demand remains very high putting extreme pressure on the Council's overall budgets. A £1.42M forecast

overspend was presented to Cabinet in November reflecting our quarter 2 position and a further Q3 update will be presented to Cabinet in February.

3.1.4 At the time of preparing this report we do not have the Q3 position however the pressure in terms of new demand in terms of children's social care is significant and therefore cost controls remain in place right across the Council's systems. It is therefore very likely this significant issue will remain in place for the 2024/25 Annual Governance Statement.

3.1.5 The annual governance review for 2024/25 is on-going and it is important that the Audit Committee understand the process to carry out the review and publish the Statement.

3.1.6 The adopted methodology / process to compile and obtain sign-off of the Annual Governance Statement is well established and has been in operation for several years and an overview of the process is recorded in **Appendix 1**.

3.1.7 The methodology of the governance review requires 'Management Assurances' and 'Corporate Assurance Sources' including:

- The involvement of Statutory Officers, Executive Directors, Directors and Heads of Service
- Input from 'key' Corporate Officers – e.g. Procurement, Information Governance

3.1.8 The review of governance covers all significant corporate systems, processes and controls, spanning the whole range of Council activities.

3.1.9 Key milestones in compiling the Annual Governance Statement:

1) Internal Audit Update Report to Audit Committee (24th September 2025) – an opportunity for the Committee to input any views on governance or significant issues.

2) Chief Executive & Leader of the Council sign the Statement linked to the approval of the Annual Accounts.

3.1.10 The Annual Governance Statement will record any 'significant issues', and associated action plans. The definition of a significant issue can be summarised as follows:

- Significant failure in decision making at Council or Executive
- Significant unexpected use of Resources
- Significant performance failing or failures in service delivery
- Significant issues from inspections, audits, complaints etc
- Significant issues failures in respect of statutory duties
- Significant issues from operational issues and third parties

3.2 Local Code of Corporate Governance

3.2.1 The Annual Governance Statement is based on the Council's 'Local Code of Corporate Governance'. As the publication of an Annual Governance Statement is statutory requirement, it's important that the Council takes account of any guidance provided by the Chartered Institute Public Finance Accountants (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

3.2.2 The Delivering Good Governance in Local Government Framework, published by CIPFA in association with SOLACE, sets the standard for local authority governance in the UK. The concept underpinning the framework is to support local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way.

3.2.3 The purpose of the Framework is to assist authorities individually in reviewing and accounting for their own unique approach, with the overall aim to ensure that:

- Resources are directed in accordance with agreed policy and according to priorities.
- There is sound and inclusive decision making.
- There is clear accountability for the use of those resources to achieve desired outcomes for service users and communities.

3.2.4 Governance is a term used to describe the arrangements (including political, economic, social, environmental, administrative, legal, and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

3.2.5 Good governance enables the Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times.

3.2.6 In order to demonstrate that the Council has the necessary corporate governance arrangements in place, it's important to adopt a Local Code of Corporate Governance and periodically review the Code based on any developments nationally or locally. The core requirement of a Code is that it is based on the following key principles of good governance:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable, economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it

- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit, to deliver accountability

3.2.7 The Local Code of Corporate Governance was subject to a comprehensive review in 2024, and the revised Code (see **Appendix 2**) was endorsed at the Committee meeting on 1st May 2024 and noted by Council when the Committee's Annual Report was presented by the Chair of the Committee on 21st November 2024. The revised Code considered:

- a) the B&NES Council Corporate Strategy 2023-2027
- b) the B&NES Council 'Our Values and Behaviours Framework' document
- c) the B&NES Council 'Protocol on Councillor / Officer Relations'
- d) the B&NES Corporate Audit Committee's Terms of Reference
- e) Department Levelling Up, Housing & Communities Best Value guidance (draft version for consultation).

4 STATUTORY CONSIDERATIONS

4.1 The Accounts & Audit Regulations set out the expectations of provision of an Annual Governance Statement. This is supported by CIPFA/SOLACE standards and the Council's Local Code of Corporate Governance. Implications of not providing this statement would include potential qualification of the Accounts, increase in External Audit fees, potential significant reputational risks and ultimately additional costs to rectify.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 There are no direct resource implications relevant to this report.

6 RISK MANAGEMENT

6.1 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. Failure to compile an Annual Governance Statement would result in non-compliance with statutory legislation and leave the Council open to criticism by External Audit and external stakeholders.

7 EQUALITIES

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8 CLIMATE CHANGE

8.1 There are no direct climate change implications related to this report.

9 OTHER OPTIONS CONSIDERED

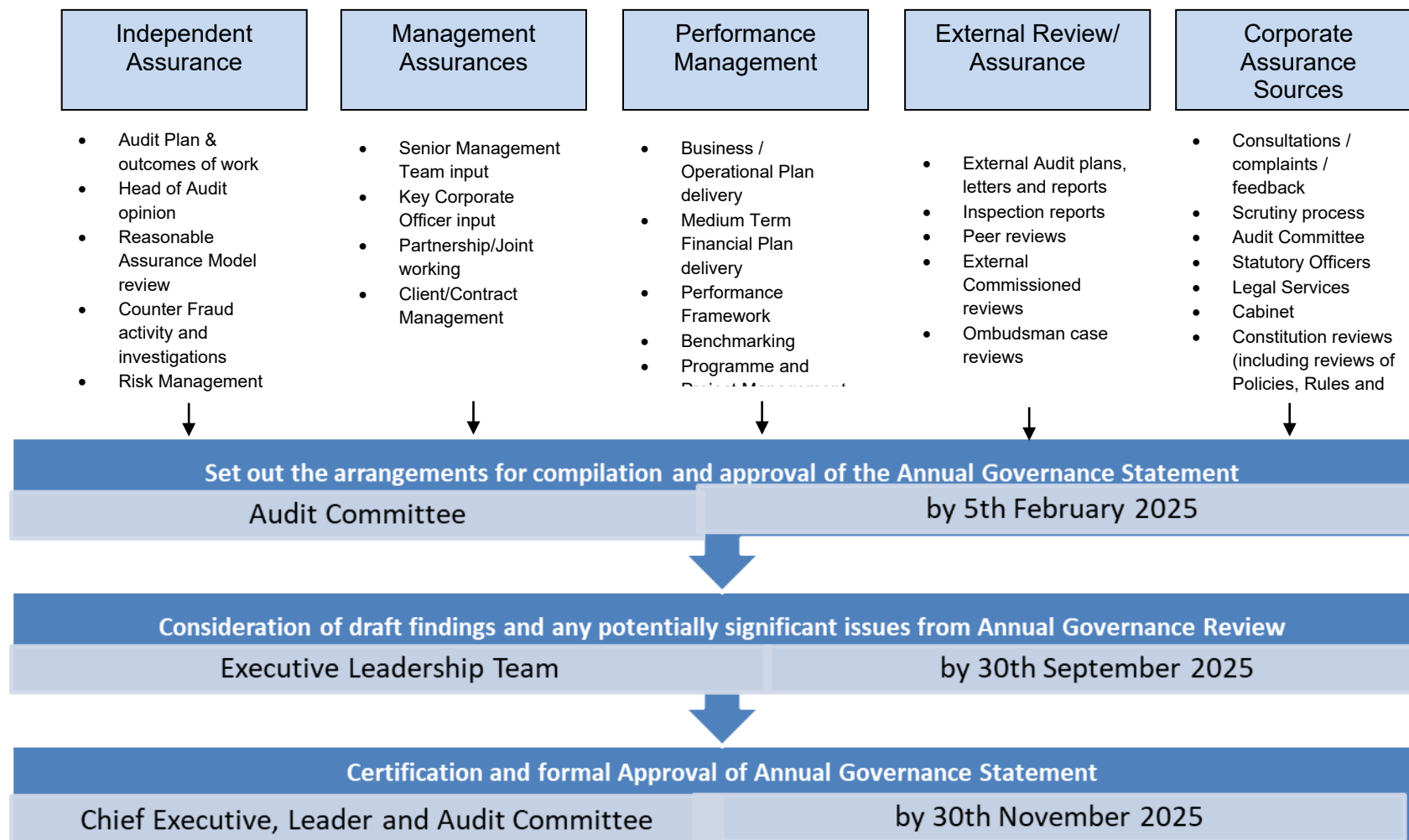
9.1 No other options to consider related to this report.

10 CONSULTATION

10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

Contact person	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
Background papers	<i>Corporate Audit Committee – Annual Governance Statement 2023/24 & Local Code of Corporate Governance – 1st May 2024</i> <i>Corporate Audit Committee Annual Report - Council 21st November 2024</i> <i>Corporate Audit Committee – 27th November 2024 - BRIEFING PRESENTATION - ACCOUNTS 2023/24</i>
Please contact the report author if you need to access this report in an alternative format	

High Level Methodology for Preparing the Annual Governance Statement



Bath & North East
Somerset Council

Improving People's Lives

Bath & North East Somerset Council

Local Code of Corporate Governance 2024

Page 97



Contents

1. Delivering Good Governance.....	3
2. Principles of Good Governance	5
3. Status	6
4. Monitoring and review	6
5. Certification	7
Appendix A	8
Principle A - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	8
Principle B Ensuring openness and comprehensive stakeholder engagement	9
Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits	10
Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes	11
Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it	12
Principle F - Managing risks and performance through robust internal control and strong public financial management.....	13
Principle G – Implementing good practices in transparency, reporting and audit to effective accountability	14

1. Delivering Good Governance

- 1.1 **Delivering Good Governance in Local Government; Framework**, published by CIPFA in association with SOLACE, sets the standard for local authority governance in the UK. The concept underpinning the framework is to support local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The purpose of the Framework is to assist authorities individually in reviewing and accounting for their own unique approach, with the overall aim to ensure that:
- Resources are directed in accordance with agreed policy and according to priorities.
 - There is sound and inclusive decision making.
 - There is clear accountability for the use of those resources, in order to achieve desired outcomes for service users and communities.
- 1.2 Governance is a term used to describe the arrangements (including political, economic, social, environmental, administrative, legal, and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved.
- 1.3 Good governance enables the council to effectively achieve its intended outcomes, whilst always acting in the public interest. Basically, doing the right things, in the right way, for the benefit of the communities it serves. The council's overriding purpose as described in its Corporate Strategy is 'to improve people's lives' and to work to that purpose the following values and behaviours have been adopted:
- **Bold** – in approach. Be proactive, take action & deliver outcomes.
 - **Empowered** – staff & people. Through knowledge make decisions, are able to challenge and have authority to be enablers.
 - **Supportive** – work together to build trusting relationships to care for individuals and the environment.
 - **Transparent** – honest & accountable to act with integrity, open to criticism.

- 1.4 The council recognises that the delivery of its strategic policies and objective cannot be done in isolation. It needs to engage with other statutory bodies and the voluntary and community sector as well as private companies commissioned to deliver services. As such the council has an interest in ensuring that these partners have in place good governance arrangements.
- 1.5 The *Delivering Good Governance in Local Government; Framework*, sets out seven core principles of governance as detailed in the diagram below. Bath and North East Somerset Council is committed to these principles of good governance and confirms this through the adoption, monitoring and development of this document - the council's Local Code of Corporate Governance.
- 1.6 Our Local Code is underpinned by the Delivering Good Governance in Local Government; Framework and is comprised of policies, procedures, behaviours and values by which the council is controlled and governed. These key governance areas and how the council provides assurance that it is complying with these are set out in more detail within its Governance Assurance Framework.
- 1.7 The council recognises that establishing and maintaining a culture of good governance is as important as putting in place a framework of policies and procedures. The council expects members and officers to uphold the highest standards of conduct and behaviour and to act with openness, integrity and accountability in carrying out their duties.
- 1.8 All Members have an important role to play in representing their constituents, as well as acting together as the council. Officers serve the council as a corporate body rather than any political group, combination of groups, or individual member.
- 1.9 Members and Officers should work in an atmosphere of mutual trust and respect. Members determine the council's policies and officers are responsible for implementing decisions taken by the council, cabinet and / or the appropriate committee as well as taking decisions delegated to them under the Scheme of Delegation. Legislation requires that certain functions be exercised by a 'proper officer'. The statutory officers with responsibilities and powers to protect good governance are the Head of Paid Service (Chief Executive), Chief Finance Officer (Section 151) and Monitoring Officer and their purpose of appointment is recorded in the council's constitution. In discharging these duties all parties should act in an open, honest and transparent manner.
- 1.10 For companies wholly owned, the council will need to have regard to the accountability and governance framework in place ensuring robust Shareholder Agreements (Reserved Matters Schedule), appropriate company structures and reporting on business plans, performance and annual accounts.

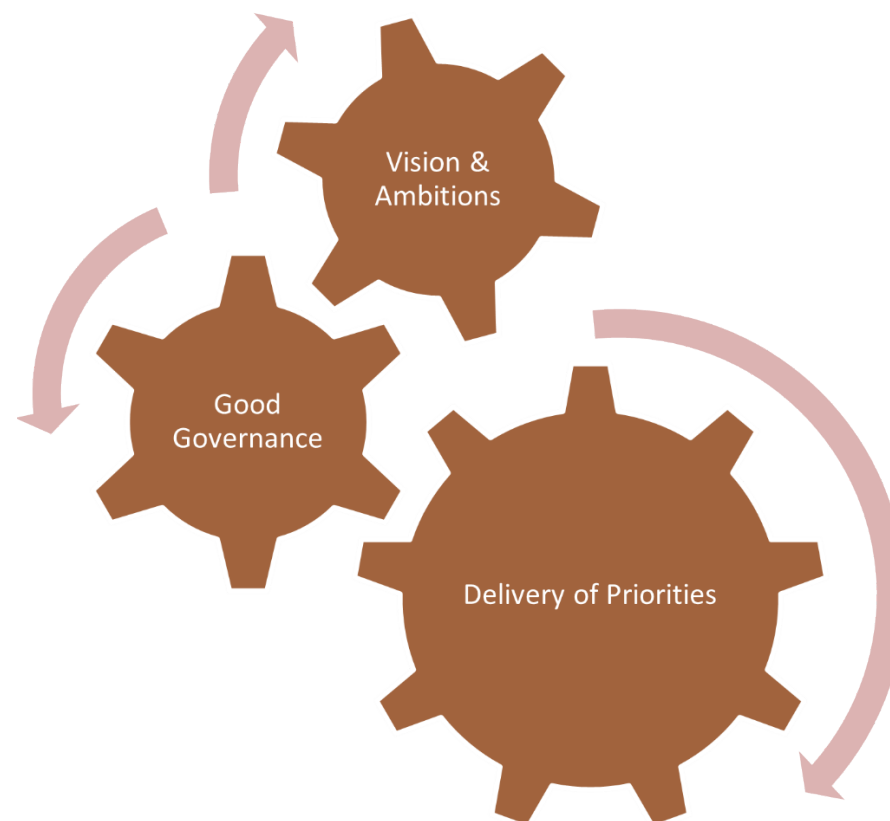
2. Principles of Good Governance

2.1 This diagram illustrates how good governance is integral to supporting the delivery of the organisation's priorities.

2.2 The principles of good governance therefore describe the outcomes this code is attempting to deliver. The guidance prescribes these as follows -

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable, economic, social and environmental benefits.
- Determining the interventions necessary to optimize the achievement of the intended outcomes.
- Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit, to deliver accountability.

2.3 Further information regarding each of the above principles and the behaviours and actions that demonstrate good governance in practice are detailed at Appendix A.



3. Status

- 3.1 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 (amended 2022) require an authority to conduct a review at least once in a year of the effectiveness of its systems of internal control and include a statement reporting on the review with any published statement of Accounts. This is known as an Annual Governance Statement.
- 3.2 The Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be prepared in accordance with proper practices in relation to accounts. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government Framework (2016) and this section of the Code.

4. Monitoring and review

- 4.1 The council will monitor its governance arrangements for their effectiveness in practice and will review them on a continuing basis to ensure that they are up to date. This process of review to produce the Annual Governance Statement sets out in more detail how the council will seek assurance on its adherence to the adopted principles of governance detailed in this code.
- 4.2 On an annual basis, the Chief Executive and Leader of the council will therefore publish an Annual Governance Statement which will:
- Assess how the Council has complied with this Code of Corporate Governance.
 - Provide an opinion on the effectiveness of the Council's arrangements.
 - Provide details of how continual improvement in the systems of governance will be achieved.
- 4.3 An important component of the governance review to compile the Annual Governance Statement is the result of inspections and peer reviews/challenge. Being open to inspection is important to good governance.
- 4.4 The Corporate Audit Committee has the following corporate governance responsibility under its Terms of reference:
- To consider, prior to signature by the Leader of the Council and Chief Executive, the Annual Governance Statement (including the list of significant issues for action in the ensuing year), as prepared in accordance with the statutory requirements and guidance; and to monitor progress on the significant issues and actions identified in the Statement.
 - To monitor and promote good corporate governance within the council and in its dealings with partner bodies and contractors, including review of the Council's Code of Corporate Governance and in any such other ways as the Committee may consider expedient (within the budget agreed by the Council).
 - To consider and make recommendations of any other matters relating to corporate governance which are properly referred to the Committee or which come to its attention e.g. the procurement of External Audit Services, monitoring the governance of Council owned companies.

5. Certification

- 5.1 We hereby certify our commitment to this Code of Corporate Governance and will ensure that the council continues to review, evaluate and develop the council's governance arrangements to ensure continuous improvement of the council's systems.

Leader of the Council

Chief Executive

Date: 21st November 2024

Date: 21st November 2024

Appendix A

Principle A - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

Sub Principles	Behaviours and Actions that demonstrate good governance	What the council has in place
Behaving with integrity	<ul style="list-style-type: none"> Ensuring members and officers behave with integrity and lead a culture, where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation. Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles) Leading by example and using the above standard operating principles or values as a framework for decision making and other actions. Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively. 	<ul style="list-style-type: none"> Constitution (* Ref to Constitution Part) Employee Code of Conduct (* Part 4.6) General Employment Standards and Rules Councillor Code of Conduct (* Part 4.2) Protocol on Councillor / Officer Relations (*Part 4.1) B&NES 'Our Values and Behaviours Framework: Improving People's Lives' B&NES Engagement Strategy Employees Declaration of Interests Employees Declaration of Gifts/Hospitality Member Register of Interests (* Part 4.4) Equality Policy Commitment (January 2019) Anti-Fraud and Corruption Strategy 2022-2024 Anti-Bribery & Corruption Policy 2022 Whistleblowing Policy 2022 Anti-Money Laundering Policy 2022 Standards Committee Policy Development & Scrutiny Panels Financial Regulations Contract Standing Orders
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> Seeking to establish, monitor and maintain the organisation's ethical standards and performance. Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation. Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values. Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation. 	
Respecting the rule of law	<ul style="list-style-type: none"> Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations. Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements. Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders. Dealing with breaches of legal and regulatory provisions effectively. Ensuring corruption and misuse of power are dealt with effectively. 	

Principle B Ensuring openness and comprehensive stakeholder engagement

Sub Principles	Behaviours and Actions that demonstrate good governance	What the council has in place
Openness	<ul style="list-style-type: none"> Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness. Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided. Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear. Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action. 	<ul style="list-style-type: none"> Constitution Committee Structure (** - see below) Executive Forward Plan Committee & Panel Minutes Decision Making Register Council website Transparency and Publication Scheme Corporate Strategy 2023/27 B&NES 'Our Values and Behaviours Framework: Improving People's Lives' B&NES Engagement Strategy Freedom of Information Request processes Complaints Reporting (including report to Standards Committee) Public Consultations Parish Charter Annual Governance Statement (component of the Council's Statement of Accounts) Voicebox annual survey – sample of households
Engaging comprehensively with institutional stakeholder	<ul style="list-style-type: none"> Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. <ul style="list-style-type: none"> Ensuring that partnerships are based on trust a shared commitment to change a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit. 	
Engaging stakeholders effectively, including individual citizens and service users	<ul style="list-style-type: none"> Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. Ensuring that communication methods are effective, and that members and officers are clear about their roles regarding community engagement. Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs. Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account. Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity. Taking account of the impact of decisions on future generations of tax payers and service users 	<p>**Council, Cabinet (sub groups), Overview & Scrutiny, Regulatory Committees, Governance Committees including Standards Committee, Alice Park Trust, Avon Pension Fund Committee / Investment Panel, Avon Pension Fund Board, Charitable Trust Board, Corporate Audit Committee, Restructuring Implementation Committee</p>

Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits

Sub Principles	Behaviours and Actions that demonstrate good governance	What the council has in place
Defining outcomes	<ul style="list-style-type: none"> Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions. Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer. Delivering defined outcomes on a sustainable basis within the resources that will be available. Identifying and managing risks to the achieve outcomes. Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available. 	<ul style="list-style-type: none"> Corporate Strategy 2023/27 Economic Strategy (Evidence Base) Joint Health & Wellbeing Strategy Treasury Management Strategy Public Consultations Medium Term Financial Plan Annual Budget Setting Climate Strategy and Action Plan Ecological Emergency Action Plan Committee Report Template (e.g. Climate Change section) Procurement & Commissioning Strategy 2021-24 Think Climate, Think Local, Think Innovation
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints. Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs. Ensuring fair access to services. 	

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub Principles	Behaviours and Actions that demonstrate good governance	What the council has in place
Determining interventions	<ul style="list-style-type: none"> Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided. Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts. Preparing budgets in accordance with objectives, strategies and the medium-term financial plan. Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy. 	<ul style="list-style-type: none"> Risk Management Strategy 2019-2024 Risk Management Toolkit including Risk Registers Public Consultations Medium Term Financial Strategy Capital Programme Capital Strategy Group Procurement Steering Group Complaints and Customer Feedback Policy
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> Ensuring the medium-term financial strategy integrates and balances service priorities, affordability and other resource constraints. Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term. Ensuring the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage Ensuring the achievement of 'social value' through service planning and commissioning 	

Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it

Sub Principles	Behaviours and Actions that demonstrate good governance	What the council has in place
Developing the entity's capacity	<ul style="list-style-type: none"> • Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness. • Improving resource use through application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved. • Recognising the benefits of partnership working where added value can be achieved. • Developing & maintaining an effective workforce plan to enhance the strategic allocation of resources. 	<ul style="list-style-type: none"> • Constitution • Council's Integrated Performance Framework • Member Induction • Clear Review System – staff performance management • Learning Zone (intranet training) • Response to External Review e.g. External Auditors Audit Findings Report (VFM arrangements) • Organisational values - bold, empowered, transparent and supportive as communicated through Council's Corporate Strategy. • Employee Induction – e.g. Code of Conduct • Protocol on Councillor / Officer Relations (* Part 4.1) • Decision Making (* Part 1.12) • Staff Survey • Employee Assistance Programme
Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> • Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. • Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body. • Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority. • Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> - ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged. - ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis. - ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external. - Identifying and developing talent within the Council's workforce. - - Developing succession planning. • Ensuring that there are structures in place to encourage public participation. • Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections. • Holding staff to account through regular performance reviews which take account of training. • Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. 	

Principle F - Managing risks and performance through robust internal control and strong public financial management

Sub Principles	Behaviours and Actions that demonstrate good governance	What the council has in place
Managing risk	<ul style="list-style-type: none"> Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making. Implementing robust and integrated risk management arrangements and ensuring that they are working effectively. Ensuring that responsibilities for managing individual risks are clearly allocated. 	<ul style="list-style-type: none"> Constitution (*) Risk Management Strategy Risk Management Toolkit incl Decision Making
Managing performance	<ul style="list-style-type: none"> Monitoring service delivery effectively including planning, specification, execution and independent post implementation review. Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook. Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (Or, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making. Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement. Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements). 	<ul style="list-style-type: none"> Corporate Risk Management Group (Officer Group) Committee Report Template Corporate Risk Register and Service Risk Registers Cyber Security Group Integrated Performance Reporting Council Strategic Indicator Reporting
Robust internal control	<ul style="list-style-type: none"> Aligning the risk management strategy and policies on internal control with achieving objectives. Evaluating and monitoring risk management and internal control on a regular basis. Ensuring effective counter fraud and anti-corruption arrangements are in place. Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor. Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment. that its recommendations are listened to and acted upon 	<ul style="list-style-type: none"> Internal Audit Service Corporate Audit Committee Financial Regulations Contract Standing Orders Comprehensive framework of Information Governance Policies: Data Protection, Acceptable Use, Information Security, Information Sharing, and Security Incident Management Policy. Information Sharing Agreements with public sector partners Appointed Chief Finance Officer (S151 Officer)
Managing data	<ul style="list-style-type: none"> Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data. Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies. Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring. 	<ul style="list-style-type: none"> Internal Audit Service Corporate Audit Committee Financial Regulations Contract Standing Orders Quarterly and Annual Performance Cabinet Reporting
Strong public financial management	<ul style="list-style-type: none"> Ensuring financial management supports both long term achievement of outcomes and short- term financial and operational performance. Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and control. 	<ul style="list-style-type: none"> Digital, Data & Technology Strategy

Principle G – Implementing good practices in transparency, reporting and audit to effective accountability

Sub Principles	Behaviours and Actions that demonstrate good governance	What the council has in place
Implementing good practice in transparency	<ul style="list-style-type: none"> Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate. Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand. 	<ul style="list-style-type: none"> Website Public Consultations Corporate Audit Committee Chief Audit Executive Annual opinion (Internal Audit) External Audit Annual Report Statement of Accounts including Annual Governance Statement Cyber Security Group Integrated Performance Reporting Council's Corporate and Staff Engagement Strategies: Council Strategic Indicator Reporting Internal Audit Service
Implementing good practices in reporting	<ul style="list-style-type: none"> Reporting at least annually on performance, value for money and stewardship of its resources to stakeholders in a timely and understandable way. Ensuring members and senior management own the results reported. Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the Annual Governance Statement) Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate. Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations. 	
Assurance and effective accountability	<ul style="list-style-type: none"> Ensuring that recommendations for corrective action made by external audit are acted upon. Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon. Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations. Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the Annual Governance Statement. Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met. 	

Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	5 th February 2025	AGENDA ITEM NUMBER
TITLE:	Audit Committee – Draft Workplan	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Draft Workplan 2024/25		

1 THE ISSUE

1.1 The draft workplan for the Committee is attached at Appendix 1 for comment.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to –

Note the 2024/25 workplan for the Committee subject to any proposed amendments.

3 THE REPORT

3.1 The workplan for the Committee ensures that the terms of reference for the Committee are appropriately delivered. Appendix 1 details the current workplan which is kept under ongoing review and the Committee is asked to note this, subject to any comments or proposed amendments.

4 STATUTORY CONSIDERATIONS

4.1 There are no specific statutory considerations related to this report.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 This is an information report so there are no direct implications arising from this report.

6 RISK MANAGEMENT

6.1 There are no new significant risks or issues to report to the Committee as a result of this report.

7. EQUALITIES

7.1 An equalities impact assessment has been considered using corporate guidelines and no significant issues have been identified.

8. CLIMATE CHANGE

8.1 There are no direct climate change implications related to this report.

9. OTHER OPTIONS CONSIDERED

9.1 This is an update report, no decisions or recommendations are being proposed so no other options are being considered.

10 CONSULTATION

10.1 Consultation has been carried out with the Section 151 Finance Officer.

Contact person	Jeff Wring, Director – Financial Services, Assurance & Pensions (01225 477323)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Appendix 1 - CORPORATE AUDIT COMMITTEE WORKPLAN – 2024/25

Date of meeting	Report title	Requirement & Purpose (TOR)
1 st May 2024	External Audit Plan for Council - Y/E 2023/24	To Approve – Oversight of work of External Auditor
	External Audit Plan for Avon Pension Fund – Y/E 2023/24	To Approve – Oversight of work of External Auditor
	Internal Audit Annual Report – Y/E 2023/24	To Note – Oversight of work of Internal Audit
	Internal Audit Annual Plan – Y/E 2024/25	To Approve – Oversight of work of Internal Audit
	Risk Management Update Report – Fraud Risk	To Note – Oversight of Risk Management Arrangements
	Annual Governance Statement & Local Code of Corporate Governance – Update Report	To Note & Endorse – Oversight of Corporate Governance Arrangements

<p>25th September 2024</p>	<p>External Audit – Update Report & Avon Pension Fund Audit Findings Report</p> <p>Y/E 2023/24 External Audit Annual Report (Including VFM Assessment Report)</p> <p>Audit Committee Annual Report & Review of Effectiveness 2023/24</p> <p>Treasury Management Outturn Report – Y/E/ 2023/24</p> <p>Internal Audit Update Report - 2023/24</p> <p>Risk Management Update Report – Corporate Risk</p>	<p>To Note – Oversight of work of External Audit</p> <p>To Note – Oversight of work of External Audit</p> <p>To Approve & Recommend to Council – Report back to Council on delegation of responsibility</p> <p>To Note – Oversight of Treasury Management (Financial Governance)</p> <p>To Note – Oversight of work of Internal Audit</p> <p>To Note – Oversight of Risk Management Arrangements</p>
<p>27th November 2024</p>	<p>Annual Accounts 2023/24 – Informal Briefing</p> <p>Y/E 2023/24 External Audit Findings & Accounts & Annual Governance Statement Approval</p> <p>ADL Accounts Y/E 2023/24 - Accounts Update</p> <p>Treasury Management 6 month update - 2023/24</p>	<p>To Note – Oversight of Financial Governance</p> <p>To Approve Accounts – Approve Accounts on behalf of Council</p> <p>To Note – Oversight of work of External Audit</p> <p>To Note – Financial Oversight of Council Owned Companies</p> <p>To Note – Oversight of Treasury Management (Financial Governance)</p>
<p>5th February 2025</p>	<p>External Audit Progress Update</p> <p>Treasury Management Strategy - 2025/26 Consultation</p> <p>Internal Audit Plan - 2025/26 Consultation</p>	<p>To Note – Oversight of work of External Audit</p> <p>To Recommend to Council/Cabinet – Oversight of Treasury Management (Financial Governance)</p> <p>To Note – Oversight of work of Internal Audit</p>

	<p>Risk Management Update - DSG/Safety Valve</p> <p>Annual Governance Statement Update</p>	<p>To Note – Update on Significant Issues & Risk Management Arrangements</p> <p>To Note – Update on Significant Issues</p>
<i>30th April 2025</i>	<p>External Audit Plan for Council & Avon Pension Fund - Y/E 2024/25</p> <p>Internal Audit - Annual Report – Y/E 2024/25</p> <p>Internal Audit - Annual Plan – Y/E 2025/26</p> <p>S106 Update - Risk Management Update Report</p>	<p>To Approve – Oversight of work of External Audit</p> <p>To Note – Oversight of work of Internal Audit</p> <p>To Approve – Oversight of work of Internal Audit</p> <p>To Note – Oversight of Risk Management arrangements</p>
<i>24th September 2025</i>	<p>External Audit – Update Report Y/E 2024/25 External Audit Annual Report (Including VFM Assessment Report)</p> <p>Audit Committee Annual Report & Review of Effectiveness 2024/25</p> <p>Treasury Management Outturn Report – Y/E/ 2024/25</p> <p>Internal Audit Update Report - 2025/26</p> <p>Risk Management Update Report – Corporate Risk</p>	<p>To Note – Oversight of work of External Audit</p> <p>To Note – Oversight of work of External Audit</p> <p>To Approve & Recommend to Council – Report back to Council on delegation of responsibility</p> <p>To Note – Oversight of Treasury Management (Financial Governance)</p> <p>To Note – Oversight of work of Internal Audit</p> <p>To Note – Oversight of Risk Management Arrangements</p>
<i>26th November 2025</i>	<p>Annual Accounts 2024/25 – Informal Briefing</p>	<p>To Note – Oversight of Financial Governance</p>

	<p>Y/E 2024/25 External Audit Findings & Accounts & Annual Governance Statement Approval</p> <p>ADL Accounts Y/E 2024/25 - Accounts Update</p> <p>Treasury Management 6 month update - 2025/26</p>	<p>To Approve Accounts – Approve Accounts on behalf of Council</p> <p>To Note – Oversight of work of External Audit</p> <p>To Note – Financial Oversight of Council Owned Companies</p> <p>To Note – Oversight of Treasury Management (Financial Governance)</p>
--	--	--